



“NIIT Limited Q1 FY19 Earnings Conference Call”

July 26, 2018

Moderator: Ladies and gentlemen good day and welcome to the NIIT Limited Q1 FY19 Earnings 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 Limited. Thank you and over to you sir.

Vijay Thadani: Good afternoon. I want to thank everyone for being patient and joining us on this call. I apologize for a small delay in starting the call because there were some technical glitches on the bridge which were trying to be resolved by the operator. Any case, now we are all connected so without further ado I just want to introduce the people around the room. We have the senior leadership team of NIIT round the table including the Chairman, Mr. Pawar, I am Vijay Thadani, Sapnesh Lalla – the CEO, all the senior business leaders, the CFO, all of us are here and we will be very happy to answer all the questions you have. Sapnesh would start with the briefing for the Quarter 1 of FY19 and then we would open it up for Q&A. Over to Sapnesh.

Sapnesh Lalla: Thank you Vijay. Good afternoon everyone. Thanks for joining this call. Again, apologies for starting a little bit late because of technical difficulties. Before I begin I wanted to preface by saying that Q1 is typically a relatively weak quarter for our India base business due to seasonality. Notwithstanding that an overall Q1 performance perspective, the Corporate Learning Group is now 70% of NIIT's overall revenue this quarter. This is the second successful quarter in which the Corporate Learning Group has delivered a greater than 20% growth and we expect this trend to continue in the near future. This was driven largely by large transformative engagements that our customers continue to trust NIIT with. Our Skills and Career business has been facing headwinds in both the IT and the banking space for some time now predominantly due to the volatile and unpredictable hiring trends. We have taken some bold corrective actions including cost rationalization in the past few quarters and we continue to do that.

Four key initiatives for our India business including StackRoute, online learning, talent pipeline as a service and the new Career Programs that we launched in this past quarter. All of them have shown positive results.

In our Schools business we are on the verge of completing the planned exit from the CAPEX intensive and low return business in government schools. The last government schools contract will end in the current quarter that is second quarter FY 19.

Overall while our revenues grew at 2% YOY, the Go-Forward business grew at 7% YOY, the EBITDA is up for robust 17% on a year-on-year basis at 190 million. The EBITDA margin improved by 110 basis points and the profit after tax is up 73% at 179 million.

To take you through the results in a little bit more detail starting with the Corporate Learning Group; the Corporate Learning Group continues on a part of strong growth and profitability. The revenues at 1506 million are up, 28% YOY and up 4% on a quarter-on-quarter basis. EBITDA

at 219 million is up 28% YOY and the EBITDA margin is more or less the same as last year at 15%, up 103 basis points versus Q4 on a sequential basis. We acquired one new customer. We expanded one of our existing contracts with an existing customer and we completed one contract during this quarter. Our customers continue to repose their faith and we can see this from looking at the strong activity with both our existing customers as well as new customer logos and the pipeline. We now have 39 active managed training services customers. Quarter 2 interestingly enough have started well. We already have closed one contract in Quarter 2. All this, results in a revenue visibility of USD 224 million that's up 17% YOY at the end of Q1. Our order intake for the Corporate Learning Business was at a robust USD 25.7 million, which was up 25% YOY.

Going into a little bit of detail on our Skills and Career business. Q1 as I pointed out earlier is a relatively weak quarter for this business. We have integrated the online business as it's become part of the Skills and Career business and the analysis that we provide will be on a like to like basis.

Revenue in Q1 was at 548 million. Part of the revenue decline is due to the high base of banking related training in Q1 last year as well as to a fair extent the virtual freeze in hiring that we saw both with banks as well as a number of IT companies. While we are working on rebuilding the business, we have created four new opportunities which we think will help put this business on a growth path. The first one is talent pipeline as a service. With the business environment getting increasingly competitive, our customers are focusing on their core competencies and outsourcing other operations. Continuous availability of skill talent matching the speed and scale of business expansion is a constant challenge for companies across sectors. To service this need we introduce talent pipeline as a service in the last quarter and I'm happy to report that we have already acquired 8 customers who are leading lights in their individual sectors. These include organizations in IT, banking, insurance and wealth management companies as well as GICs. We also launched 5 new products in sunrise areas including data analytics and predictive modeling, full-stack software engineering, accounting and business analytics, banking and finance and digital marketing and brand building. And we have already started to see encouraging response on these products even though we rolled them out mid-June.

In addition to these two initiatives our deep IT skilling initiatives called StackRoute has been growing on a quarter-on-quarter basis and is now on a run rate to deliver 15 crores in the revenue for the year. Our online initiative called training.com continues to perform well and is seeing substantial year on year growth. With this I feel we are poised to get the Skills and Career business onto a growth path over the next couple of quarters.

Our Schools business and a minute on the Schools business to talk about it in the little more detail; after a strong Q4 in FY18 Q1 for this business is a typically a weak quarter, having said that the private school's business was lower than where we would have liked it to be partly due to the regulatory uncertainty that many of the private schools faced with respect to curriculum choices. However with the new products that we have delivered over the last 4 to 5 months in the areas of math, science as well as our Practice Plus platform, we are seeing good interest from schools and we have added over 120 new school contracts in Q1. The revenue for the Schools

business stood at 88 million down primarily due to the planned ramp-down of the government schools business. And as I mentioned earlier the last of the government schools contract should end in the current quarter. The EBITDA was at a negative 20 million driven predominantly by lower revenue in private schools and cost related to the government schools. The Practice Plus platform now has 3.1 lakh registered students who engage with our offerings in a digital online direct-to-home model. So overall the revenue in Q1 was up 2% YOY at 2143 million, the Go-Forward business grew at 7% on a YOY basis. The Corporate Learning Group continues to drive strong operating performance. The EBITDA was at 190 million, up 17% YOY, the EBITDA margin at 9% was up 110 basis points YOY.

I would like to spend a minute on the net debt numbers; as you would have noticed from our press release and the numbers that we published earlier, our net debt is up at 105.2 crores or 1052 million from approximately 40 crores in the previous quarter as we ended the previous quarter and I wanted to spend a minute to provide an explanation on that increase. When we closed the previous quarter, our net numbers were artificially lower because of a 200 million collection which had come in ahead of time that collection was planned for Q1 however had come in sooner and that resulted into the net-net number to be at 40 crores instead of the likely numbers of 60 crores. and the reason why the likely number was 60 crores was also because you would remember NIIT acquired Eagle Productivity Solutions in the United States and against that acquisition there was a pay-out of about 180 million in Q4. So if you were to start with approximately 60 crores and do the journey to about 105 crores, the explanations around why that journey took place predominantly revolved around two areas, one, lower collections of approximately 250 million from our customers that were planned in Q1 however a lot of them have been collected in the early part of Q2 that's July and most of them will be collected in the rest of Q2. The second was Rs. 40 million due to delay in refund of GST input credit, which we had planned to receive in Q1 but are likely to receive in Q2. The second mention of the explanation revolves around increased working capital as well as CAPEX requirements because of a deal velocity. As you might remember we have closed more than six new contracts over the last two quarters and those contracts required high working capital to service the working capital needs as we transitioned those contracts into run rate business. I expect that as our deal velocity continues to grow as a contract keeps getting larger I feel that over the next several months our net debt will stabilize in the 65 to 75 crores range.

Our profit after tax stood at 179 million and that was up 73% on a year on year basis. In summary the Corporate Learning Group continues its growth trend of greater than 20% on a year-on-year basis and at a steady margin and we would like to keep it steady that way and reinvest any excess in sales and marketing. Our Skills and Career business is facing headwinds however the new initiatives that we have launched namely the online business, the StackRoute business, the talent pipeline as a service business and the new product that we have launched, each of them are starting to take route and I'm encouraged that these new initiatives will help put the Skills and Career business on the growth path as we get closer to the second half of the year. The Schools business as I mentioned is now operating on a more pure private school model starting Q3 and I feel that this business or the Go-Forward business will be able to show mid-teens related growth. We expect that our CAPEX will be at about 550 million and this would include the work that

we are doing for the transition on the Real Estate Corporation of Ontario project as well customary expenses around building out of new products and buying of software licenses. I would like to end my prepared comments here and open the lines for any questions that you might have. As we have said in the past your questions help us think better and make NIIT a better organization. Aman if you could open the lines for questions now.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ganesh Shetty as an individual investor. Please go ahead.

Ganesh Shetty: Its encouraging that Corporate Learning business and profit from associates have really contributed to our bottom line as essentially, we were seeing continuing net gains in spite of having taken restructuring exercises and do you think that the old IT model of training is, what is accomplished, and we are going to really the decrease the percentage of the training and expenses of those old IT models so that at least we can remain in the breakeven. Can you please throw some light on this?

Sapnesh Lalla: Here is what I understood from your question I think you said that the Corporate Learning business seems to be doing well. The question was around whether the old model of training is continuing to be relevant with respect to the Skills and Career business, is that....

Ganesh Shetty: That's right.

Sapnesh Lalla: I think there isn't an old model of training. I think what we should see is, A. what is the effective training and B. what is relevant training. I think what I have learned over the last one year in talking to our customers is they are continuing to desire talent that becomes productive on day one. That was the premise on which NIIT started and that continues to be what the premise that attracts customers to NIIT today. So our desire to deliver products that result into is relevant skills that are in demand will continue and is continuing and I think you have seen us deliver more products on sunrise technologies that are relevant for employers today. As in terms of delivery modality I think there again our customers are looking for partners who can deliver training that is convenient and effective. both are important and to that effect NIIT has created a blended learning model that offers our students the best of both worlds. It offers convenience as well as it offers deep learning with an instructor face-to-face. So now given these two the logical question would be why is this business not growing, and I think to a fair extent it is because of a number of disruptions in terms of what is the relevant technology, who is hiring, what kind of talent and so on so forth. And to address specifically that issue we have introduced talent pipeline as a service and that service connects us directly to organizations who are hiring and gives us direct feedback in terms of what kind of talent is relevant, how many of them are needed, by when they are needed. What we are trying to do with talent pipeline as a service is to create a just-in time inventory model, a model that is reliable as well as efficient. And between the new products that we have launched, the online learning models available on training.com and the talent pipeline as an initiate I think we are now offering a portfolio that is more relevant and effective to fulfill a customer's need. The other thing that you will see is that we are expanding

the sectors that we are addressing. In the past we've been focused predominantly on IT and Banking and you will now see us expanding outside of banking into financial services and insurance and outside of IT into digital marketing and analytics and so on and so forth. From an overall perspective we're starting to see a strategy that makes our programs more relevant and more convenient, more effective for our customers.

Ganesh Shetty: My second question is regarding Eagle Productivity Solutions, which you have acquired recently and can you please update on integration of Eagle Productivity Solutions and its contribution to CLG and how we are seeing cross-selling of products across our CLG solutions?

Sapnesh Lalla: I think that's a great question and I am sure this was a question that many on the call would have wanted to ask. Eagle Productivity Solutions as the company was acquired in Q4 in January of this year and just to remind everyone is their core competence is at the intersection of application rollouts in the life sciences vertical. Eagle Productivity Solutions has been fully integrated into NIIT and is now the application rollouts practice at NIIT. Its contribution continues to be robust and is fully integrated into the Corporate Learning Group results. It contributed approximately 196 million to the Q1 revenue.

Moderator: The next question is from the line of Ravi Menon from Elara Securities. Please go ahead.

Ravi Menon: Why have we not seen much smarter improvement despite the rupee depreciation for CLG? And secondly it would be great if you could give me the constant currency number for order visibility YOY?

Sapnesh Lalla: First to answer your second question visibility, we talk about visibility in millions of dollars it's at \$224 million in terms of visibility for Go-Forward CLG business. In terms of margin improvement if you were to look at how the dollar has moved and especially how NIIT recognizes the dollar rate, first NIIT recognizes the dollar rate at the beginning of the month compared to some organizations who recognize it at the end of the month. From an overall perspective as it's moved really from about 64.5 to 66.9. Now that has some impact on profitability however given the on-site offshore mix of our business and if you think of training, a lot of training is delivered face-to-face in country and so from an overall perspective the dollar rate change does not affect NIIT's profitability in any substantial way. It does but not in a substantial way. As I pointed out earlier while from an operational perspective there were improvements, but we reinvested those improvements in our sales and marketing given the growth potential of this business.

Ravi Menon: And what will be the contribution of Eagle to the order visibility?

Sapnesh Lalla: Eagle currently has visibility of about—every time you see Eagle I try to tell myself that I should respond to Eagle as the application rollouts practice of NIIT, I have been trying to train myself to do that. So our application rollouts practice has a visibility currently of about \$6 million odd.

Moderator: The next question is from the line of Devanshu Bansal from Emkay Global. Please go ahead.

- Devanshu Bansal:** Can you tell us what is the long-term prospects of Corporate Learning both in terms of revenue growth and profitability and if you can compare this with the industry growth expectations that would be very helpful?
- Sapnesh Lalla:** Our Corporate Learning business has substantial growth potential and I will try to answer this question both from the point of view of headroom's as well as potential with existing customers. Approximately 20% to 25% of Fortune 1000 companies have outsourced their learning and development in any substantial way. And so there are still 1000 companies in Fortune 1000 and only 250 have outsourced in any substantial way. So there is plenty of headroom in terms of growth irrespective of what kind of competition we have, there is plenty of headroom for us to grow. Out of the 250 who outsource in any substantial way, NIITs current share is at 39 customers. I think given that we have substantial room to grow by acquiring new customers and we are on a healthy run rate of acquiring new customers. Last year we acquired 8 new customers, we are expecting to acquire more than that this year. Second, all of our customers while they have outsourced a fair part of L&D have potential for outsourcing more. Third thing, the spend on learning and development across the board is also growing. These three things combined tell me that there is substantial room for growth. Now over the last couple of quarters NIIT has been growing at a (+) 20% clip based on a visibility we feel that this run rate is likely to continue for the next few quarters. In terms of overall growth rates in the industry I would say NIIT's growth rate is on the higher side, substantially better than some of our competitors. However several of our competitors are really not Learning and Development companies. Some of our competitors tend to be general purpose outsourcing companies and so they tend some time to lose out on opportunities that we win because NIIT is seen as a specialist training company who has the insights that create both efficient and effective learning models. Does that answer your question?
- Devanshu Bansal:** That was very have full. My second question is can you quantify the percentage of our revenues in CLG coming from training?
- Sapnesh Lalla:** 100%.
- Devanshu Bansal:** 100% and coming from training?
- Sapnesh Lalla:** Yes, we are a training company. 100% of NIIT's revenue comes from training. But I don't think that's what you wanted to ask.
- Devanshu Bansal:** Yes I wanted to segregate into content development and training.
- Sapnesh Lalla:** I thought that saying that NIIT has revenues that are not in training would not be a good thing. But that having been said content development is about 30% of CLG's training business.
- Moderator:** The next question is from the line of Ashish Kacholia from Lucky Investments. Please go ahead.
- Ashish Kacholia:** My question pertains basically to the size of the opportunity in the Corporate Learning Group. So how many big tenders came out during this quarter, how many did we bid in and were we selected or shortlisted in any of the large tenders in this quarter?

Sapnesh Lalla: I will try to answer the question in more general terms than you requested. But we think that the opportunity is where all 1000 companies out of the Fortune 1000 can outsource training and I think that's a reasonable ask because we have customers in all of these segments, both in Fortune 100, Fortune 500 and Fortune 1000. So we have customers across the board and it is both efficient and effective for organizations across the Fortune 1000 band to outsource. So that tells me that given that only 25% of them outsource in any substantial way at this time there is very substantial opportunity for us to grow. Your second question was what's the deal velocity, what kind of large deals come in? I think we participate in about 35 to 40 opportunity is each year. We think that we are part of about 80% of the opportunities that are there and last year we won 13 new contracts. So there are substantial number of opportunities that come out to bid, we get a reasonable share of those opportunities as one. And the one other thing I would say is on a year-on-year the number of opportunities that come out to bid is growing.

Ashish Kacholia: Is it growing at a fast clip, something like 15% which is our growth rate currently?

Sapnesh Lalla: Yes I would say so.

Ashish Kacholia: And how are we seeing the competitive scenario in this I mean are we getting placed in better and better because we won that large contract in Canada, the dollar 50 million deal. So is that leading to better traction and more confidence on customer's.

Sapnesh Lalla: I would let the Head of Sales and Marketing of the Corporate Learning Group answer that question to you.

Sailesh Lalla: The competitive positioning for NIIT in the Corporate Learning Group is extremely strong and the reason for that is that we are a specialist. Training is our business and our only business and the kind of expertise and experience that we bring to the table is unparalleled in the industry. So we have very strong positioning. We have won large deals, we've won takeaways from our competitors and the number of contracts we are winning is far more than our competitors had, so I think we are very-very well positioned. RECO is the second oldest large deal that we have. The most recent one was a comprehensive outsourcing deal with Pitney Bowes which was quite substantial which was openly bid in the market and we beat everybody to do a comprehensive whole end to end outsourcing deal with this very large organization in the US and we have completed the transition and just started service delivery. It is a global contract in the US, in the UK, in European markets as well and that's as testimony to our ability to acquire both comprehensive deals as well as large deals.

Ashish Kacholia: My question is basically that the first quarter for the India retail business was somewhat slow. How are you seeing the prospects for this business for the year as a whole?

Sapnesh Lalla: Like I pointed out earlier we did see headwinds and we have taken a number of corrective steps to push this business into a growth trajectory. I think these initiatives will start taking root as we go through Q2 and possibly Q3 and sometime in Q3 and Q4 most likely in Q4 we will start seeing some growth.

Moderator: The next question is from the line of Ankit Kohli from Pure Research. Please go ahead.

Ankit Kohli: My first question is a slight continuation of the previous participant's question. When we say that our competitive ability in the CLG business is good, can you help me understand what is it that makes us stand out, are we winning these businesses because of better pricing? And how are we differentiating or creating a business mode per se which gives us better economics of this business? So what is it that makes us stand out and not just for the customer but internally strengthening the financials strength of the organization also on the CLG's front?

Sapnesh Lalla: I will reiterate a little bit of what Sailesh said. I think in the past our competitors have focused predominantly on their ability to takeover employees and their capability in outsourcing or rebadging of employees has won them large contracts. I think in NIIT they see an organization who is able to substantially improve the learning outcomes. Given that we are a training company that's all that we do. Our customers find NIIT better in achieving outcomes that relate to having better trained people, better still people. And at the end of the day any training initiative is looking for figuring out how to improve the efficiency and effectiveness of training and I think that's where NIIT comes out stellar. I will request Sailesh to spend another minute to put a little bit more color on it.

Sailesh Lalla: Our value proposition to our customers is extremely unique. We help our clients run training like a business. Training continues to be an underperforming and unmanaged function within an enterprise and I think we are one of the first out of the gate to commit to very significant transformation in helping our clients run training like a business. That requires enormous expertise and it requires expertise on two sides. One is to dramatically improve the effectiveness of learning to deliver significantly more value to the business and to deliver significant efficiencies. It is not at all about NIIT charging less or being underpriced in any way. We are seen as a premium player. But the expertise that we bring in to impact both sides of the coin, the effectiveness and efficiency, is as training specialist is working very well for us.

Ankit Kohli: Can you please quantify that, so when you say we produce better trained people and efficiency goes up, how do we fare as compared to our competitors and who would you see as the biggest competitors in the international tenders that they participate in?

Sailesh Lalla: We have a couple of set of competitors. We have the large outsourcing companies as our competitors, companies like IBM and Accenture who have been in this business for quite some time. But learning is not their specialty; it is a small portion of what they do. And then we have companies like NIIT who are in the training business and effectiveness can be measured in terms of the value being delivered to the business. Whether it's creating a competitive differentiator for the business, helping the business, its ability to execute its plans or in very substantial ways reducing the time to proficiency for new employees. So in all of those dimensions we have very strong methodologies to deliver unmistakable quantifiable value to the business. These are experiences and capabilities that we have harnessed over the last 25 years and that's what customers really-really appreciate about NIIT.

Ankit Kohli: As a sales and marketing head you were to change one thing that will help improve the win ratio and make it much-much better for you to go and have conversation with clients worldwide, what would that be, what would that one change be that you like to bring about at NIIT?

Sailesh Lalla: I would like to see bolder decision-making from our clients. We find Learning and Development having less ambitions than what the business leaders expect. We continue to see a sense of timidity in L&D organizations to be bold and to drive quantifiable change. And if there was one thing that I would change it would not necessarily be at NIIT, it would be in the customer landscape which actually shows why only about 20% to 25% of the organizations have actually brought training on their radar to dramatically transform.

Ankit Kohli: Second part of my question Sapnesh to you is on the SNC business. So can you just help me understand the TPaaS model a bit better? I mean how is it different from Ques Corp or Teamlease is doing or other recruitment firm does and what is our differentiator here, what do we bring to the table that nobody else does and practically when we say talent pipeline as a service what exactly are we delivering here? What I'm trying to understand, what is the difference between our models so that of course training is one bit.

Sapnesh Lalla: Like Sailesh pointed out training is our only business. We are very-very good at it. We are good enough for 39 large global companies to recognize NIIT as a training partner. So we are very good at training that's one. I think the second thing is if you think of what is it that organizations want, organizations want a reliable supply of talent that has been specifically trained so that they can deliver outcomes from the day they joined. That's what organizations want. Now organizations don't get that, they always wanted it but they don't get it. However many companies in India have been growing at very substantial double-digit growth rates and so they could afford to have large inventory of raw material that they could pool over a period of one-year, 1.5 year and then make them fit the talent profile or the skill profile that was needed to become productive. I think that luxury is gone on one side and it reminds me of what the automobile industry went through about 30-40 years ago. 30-40 years ago, a spark-plug company could manufacture one spark plug that could fit into three different automobiles. Today, every part that goes into an automobile is model make specific. I think the talent needs that organizations have today are very similar. They are very-very specific to what they want done. I think it requires a model of just-in-time talent availability, reliable talent availability on a just-in-time basis. So just as if you go back and how just-in-time inventory was implemented in automobile manufacturing, what was done was ancillary units with partners who had deep relationships with automobile companies were set-up and their assembly lines were joined such that the ancillary unit would produce when the part was needed such that there was no pile up of inventory. I think the talent pipeline as a service initiative intends to achieve that in the talent industry. We think that colleges and institutions do a really-really good job of creating the foundation in the student. But I think it is the job of an organization such as NIIT to help that student get the skills that are needed to become productive. That's something that we have done for many years and I think now as we look at the just-in-time inventory model we've taken the extra step to work with organizations, figure out specifically what their skill requirements are, what kind of talent do they need, when do they need it, in what quantity do they need it, what

skills are needed for them to be productive on projects that they will be on and then pool the talent that we have accessed to. NIIT has over 200 locations pan India. There isn't another organization in India who has that kind of scale, that kind of reach. We have relationships with engineering colleges, arts and commerce colleges pan India across the locations where we have NIIT centers. And what we are able to do is build the much-needed bridge that connects students who are graduating with strong foundations with skills that NIIT imparts, skills that organizations need at the time when they need them. So long explanation for a short question but I hope I didn't confuse you any further.

Ankit Kohli:

I just have one follow up on the same. So from an ambition and aspiration perspective it is very good enough course, it's all the pain point for the customer. But can you just help me understand where do you see the business economics of this particular segment because training so many people in a environment where the demand for skill sets is evolving and then being able to monetize that effort that goes into training those people are two very-very different things? So where do you see the economics of the business, how profitable, what could be the return on equity on such a business given the competitive forces and the changing environment of skills and demand, so where do you see that in the next 2 years, 5 years, etc.?

Sapnesh Lalla:

I will comment on economics both from the hiring organizations perspective and the student's perspective because it makes economic sense for the student and for the hiring organizations, slightly it will make economic sense for us as well. So the inventory carrying costs for organizations to carry undeployed Engineers on bench tends to be in excess of one-year salary. So every time an organization hires a person who is immediately deployable, they save about one year's worth of salary. In real terms at times it is much higher because during the first year there is the highest levels of attrition in the industry, so when you hire 100 only about 70 or so get into the second year when they become productive. So in effect organizations spend upwards of one-year worth of salary in hiring a person who is not readily deployable. From a student's perspective, a student who has finished their engineering degree or their arts and sciences degree, these guys have aspirations. We did a very substantial study and we found out that most students who are graduating from college today aspire to have a good lifestyle and do something where they think they can create value. Now if they go into an organization where they think they are not creating value that sets them back. I think for a student to have the ability to choose which carrier with which organization they are going to spend the next several years on I think this initiative gives them the visibility of what it takes to become successful, what skills are needed and they are also able to identify which organization they want to work for. And for that they are happy to pay a part of what they are going to make in the first year. So, both from a student's perspective as well as for a company's perspective this is an initiative that reduces time to competence from a student's perspective, improved utilization from an employer's perspective and creates a win-win situation. It's almost like setting up a toll-road where you did not have a connection. It saves time, it's more convenient, more effective and for that people are ready to pay a toll.

Ankit Kohli:

And what would be the ROEs that we can generate on being that connecting bridge between students and organizations?

- Sapnesh Lalla:** It's a little early to say that but if you think about it this business has great visibility. We know exactly how many people to train because that's what the customers tell us. It does not require huge amounts of CAPEX, so our existing infrastructure is able to take care of it. So, I don't think it required any additional CAPEX and would therefore result into reasonably high return on existing investments. I did want to say that we had significant interruptions due to technical issues on this call and if it's all right we could extend the call by an extra 10 minutes and I think there are more questions as well.
- Moderator:** We have the next question from the line of Anand Dubey from VD Investment. Please go ahead.
- Anand Dubey:** How much growth we can see in FY19 and what kind of margins we are looking at a consolidated basis?
- Sapnesh Lalla:** So, like I had said in my opening remarks, we expect the Corporate Learning Business to stay on the run rate, do better, do about 20% growth on a year-on-year basis for the full year. As I had said earlier we expect the margins to be where they are for the Corporate Learning Business. In terms of the Skills and Career business like I had said that we had launched four initiatives and the initial response on these four initiatives has been good. We will see a positive second half of the year and then from of Schools perspective I think we will see mid-teens in terms of growth in the private schools.
- Anand Dubey:** What kind of growth you are hitting, you are giving the segment wise bifurcation? I want the growth number.
- Sapnesh Lalla:** We normally provide segment wise guidance and I think if you would like to add these up, you will be able to come up with a number.
- Anand Dubey:** The second question pertaining to that, what rate of interest you borrow money from market because last year your long-term borrowing as well as short-term borrowing is increased, so what was the rate of interest you borrow money from the market?
- Sapnesh Lalla:** I would say it's approximately 9.9%.
- Moderator:** We have the next question from the line of Ritesh Badjatya from Asian Market cap securities. Please go ahead.
- Ritesh Badjatya:** Just one point on the CLG business, like you said this is a business where the expertise to run successfully. So from the talent side, is there enough talent is available in the market to run that CLG business and so my intention to ask the question is do we feel any kind of a margin pressure will be there if our growth rates will be improving going ahead?
- Sapnesh Lalla:** As you know we conduct this business both in mature markets as well as from India. we have not seen talent related shortages in the mature markets because learning and development in mature markets has been there for a while and there are colleges, universities who train our folks specifically in the areas where we have requirement for talent. And NIIT is situated or NIIT's

offices are situated in areas where such talent is available, and we have partnerships with universities, for example our European office in Dublin is situated in the Dublin City University where we have a partnership from the point of view of talent. Similarly our office in Chicago is situated right outside the Northwestern University and then our office in Toronto is not far from a number of universities in Toronto. Similarly our office in Rochester New York is right in the backyard of RIT and other large universities in Rochester. So the way we have planned our expansion outside of India, we have ensured that a talent supply is not a problem on a Go-Forward basis. With respect to India, India still does not have substantial formal programs in the area of instructional design and such. However, given that NIIT has a partnership with a University that was started by NIIT's founders the NIIT University we have been fortunate to be able to set up specific programs that help us build talent that we can have access to and provide long-term opportunities to that talent. In addition to that we have a very substantial and comprehensive training program and so every year we hire some really-really bright people and then put them through significant and substantial training programs that convert them into true professionals that are able to add value to our customers globally. I'll request the Head of our Learning Delivery and Learning Delivery Operations and Delivery Organization, DJ Chadha who happens to be also an NIIT student from many-many years ago, put a little bit more color on this.

DJ Chadha:

Absolutely so Sapnesh, you have covered it well. I think in addition to launching our own program, we are launching a Master of design at NIIT University which basically will be feed into our talent pipeline for our content business. We also have an award-winning on-boarding program which has been recognized globally which basically brings in fresh talent and on-boards them on to various processes that we have. So overall, we definitely have good sources of talent across the world plus as you mentioned we also are seen as a learning company so there are more and more people who are interested in a career in learning, they like to work for us because that's what we do day in and out. So I think that helps our overall proposition for the talent.

Moderator:

We will take the next question. That is from the line of Ruchi Burde from Bank of Baroda. Please go ahead.

Ruchi Burde:

I have two questions. First, could you share some more color on the Pitney Bowes contract that we have won in terms of duration, size, scope of work and the transition time involved?

Sapnesh Lalla:

I am going to request Sailesh to answer that question.

Sailesh Lalla:

The Pitney Bowes deal is a 5-year contract plus renewable by another 2 years after that. It's a comprehensive outsourcing deal, in a sense; Pitney Bowes has outsourced all aspects of their learning and development function to NIIT. And that includes all types of training whether its soft skills training, and a lot of technical and functional training as well, so its sales training, its services training, its client operations training, it's all aspects of training and it covers the entire value chain of learning as well, from training strategy to training consulting to training design and development, to training delivery, to learning administration and sourcing training from

outside providers as well. So, it is a truly comprehensive deal, it's a five-year deal and its quite substantial in terms of revenues for us as well.

Ruchi Burde: In terms of transition time?

Sailesh Lalla: We have finished transition and we have gone live.

Moderator: The next question is from the line of Manish Khadakia as an investor. Please go ahead.

Manish Khadakia: If you can tell me around the world who is the closest competitor to NIIT.

Sapnesh Lalla: Like Sailesh pointed out a little bit earlier, large outsourcers like IBM, Accenture, Conduent, Raytheon are the competitors for us. As well as some specialist training companies like General Physics tend to be competitors.

Manish Khadakia: With the advent of artificial intelligence where more and more jobs are lost to artificial intelligence, do you see that 5 years down the line it's a threat to our business?

Sapnesh Lalla: I am quite excited about artificial intelligence. In fact, the persons who heads our Learning Design organization, his name is Dr. Greg Collins, he got his PhD in artificial intelligence in 1985. So we have a substantial strength from the point of view of artificial intelligence. I think the part that I am most excited about is our ability to use artificial intelligence, analytics, data, to be able to create learning environments that could be substantially more effective as well as efficient. Let's say you wanted to train half-a-million people on the Make For India initiative on how to operate lathe machines, one way of doing it is to put aside labs with hundreds or thousands of lathe machines. Another way and a more interesting way could be by creating virtual environments where on a computer, with a headset and some wants you are able to simulate the experience of using a lathe machine because if you did that you could also create the experience on the specific lathe machine that a specific manufacturer might use and that would make that training substantially more effective and in context to what people would be doing. And in there you can use artificial intelligence to create scenarios that might be more suitable for the job is that are going to be there. So in training I foresee a lot of application of artificial intelligence to make training better and make training more interesting, more contextual and more relevant.

Moderator: The next question is from the line of Kaushik Poddar from KB Capital. Please go ahead.

Kaushik Poddar: In School learning group, the government school will be off your back after this quarter, so right now you will be having only private school in which you have given a guidance of around mid-teen growth. But are you seeing opportunity beyond this also, I mean, just to give an indication of things, Byju is an unicorn now, \$1 billion market-cap, so can you think of doing a Byju in the school learning group since the government school is off your back?

Sapnesh Lalla: I think we can think of and as soon as we have something concrete so that we can see something like that we would be happy to talk to you.

- Moderator:** We have the next question from the line of Ravi Menon from Elara Securities. Please go ahead.
- Ravi Menon:** Just wanted to get some clarity on the Pitney Bowes contracted you, how we recognized that and fresh order intake and revenue visibility because we have not seen a huge order intake number. For the last quarter of this quarter we have seen \$ 24-25 million and judging from this being a 5-year contract and being comprehensive end-to-end deal, should we think that this visibility number only includes say the first year or some part of what you have real commitments for?
- Sapnesh Lalla:** I think the way you should think of visibility is the net of inflows and outflows. I think Pitney Bowes as visibility is part of it, certainly the 5 years and I think it was taken in Q4 and not in Q1. And I think you saw a reasonable upswing. I think it was from about \$200 to \$218. I think what we report is visibility which is the projected revenue from deals when we sign them, then we do the net off which is what we have burned as revenue we take away from the visibility and what new contracts we signed or renewed we add into the visibility. I think it is different from order intake. For us order intake is guaranteed, committed statements of work whereas visibility is what our customers provide as expectation of their spend with us.
- Moderator:** The next question is from the line of Ashish Agarwal from Principal Mutual Fund. Please go ahead.
- Ashish Agarwal:** Our tax rate or taxes seems to be very-very high, so just wanted to get a sense on that the tax which we disclose on the P&L. And secondly, is it possible to share the operating cash flow which we have generated in the first quarter?
- Sapnesh Lalla:** I am going to invite our Chief Financial Officer, Amit to answer that question.
- Amit Roy:** This is high because of in some of our subsidiaries we have earned good amount of profit and hence the tax part has gone up, particularly in the overseas subsidiaries. In context to that, in India our subsidiaries have not made any profit in India that's why it is high.
- Ashish Agarwal:** What about the operating cash flows for the quarter?
- Amit Roy:** It is on the negative side and we are trying to improve it in this quarter because as Sapnesh has mentioned earlier regarding various collection has not happened in Q1 which has started coming in July and we will get in August, hopefully our cash flow will get positive in this quarter.
- Moderator:** We have a follow-up question from the line of Anand Dubey from VD Investments. Please go ahead.
- Anand Dubey:** What is the revenue expectation for NIIT introduced the Talent Pipeline service?
- Sapnesh Lalla:** It is a little too early for us to guide on revenue expectations from that specific product line. What I can say is over the next few quarters it will start becoming a material part of our numbers.
- Anand Dubey:** What is the cost looking on that NIIT introduced the Talent Pipeline service, cost incurred?

Sapnesh Lalla: Cost incurred is in line with the cost that we incur for any other product, so it is neither exceptionally higher or lower.

Moderator: Ladies and gentlemen, that was the last question. I now have the conference over to the management for their closing comments. Thank you and over to you.

Sapnesh Lalla: Thanks everyone for your valuable time and apologies for the troubles we had with the phone lines. Your comments and your questions push us to think differently and think out of the box so we would love to have your questions coming. In case some of your questions didn't get answered because of the phone connection or the time, please do send your questions to Kapil Saurabh and we will do our best to answer them as expeditiously as we can. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of NIIT Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.