



World's Leading Skills and  
Talent Development Corporation

## “NIIT Limited Q4 & FY16 Investor Conference Call”

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**Moderator:** Good Day, Ladies and Gentlemen, and Welcome to the NIIT Limited Q4 & FY-'16 Investor 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 this 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 & Vice Chairman, NIIT Limited. Thank you and over to you sir.

**Vijay Thadani:** Thank you. Good Afternoon. Thank you very much for joining this conference call. I know it is very busy results season. So thank you for sparing your time. In the next 60-minutes we intend to have a very productive call which will be led by my colleague Rahul Patwardhan, or Pat for short, who is the CEO of the company and accompanying him is myself and my other colleagues on the board as well as other senior colleagues.

So I will without any further delay I would like to hand it over to Pat to make his Opening Remarks and then we would open it up for Q&A.

**Rahul Patwardhan:** Good Afternoon, Everybody. Thank you for making time to listen to our results in a busy period. For those of you who are on the call, again, welcome back and for those of you on the call for the first time, I welcome to the first interaction with NIIT.

It has been a very important year for us -- a year of turnaround, a year of restructuring, a year of bringing back into the momentum the company for a growth trajectory for the future. So the first thing I would like to really say is that the plans that we laid out at the beginning of the year and I shared with all of you and the public at large, I am very happy to say that we have delivered on those plans and we have also beyond delivering on those plans put in place platform for accelerating growth and performance over the next few years.

I will take you briefly through the Q4 and the full year numbers some of the metrics, not everything, and then after that we could probably set the base for you to ask specific questions for whatever areas that you are particularly interested in. So first let me start the overall picture from NIIT: For the quarter we hit revenue of Rs.238.9 crores, which at 7% Y-o-Y growth rate over last year and for the full year we have crossed ten thousand million or Rs.1,006.9 crores with 5% Y-o-Y growth rate. What is important to emphasize here is that our revenue top line has been accelerating; we started the year with a growth rate of 4% Y-o-Y, 5% Q2; 6% Q3; and Q4 we are now at 7%. So the trajectory is moving very much in the direction that we wanted it to. All this has been achieved on the basis of the steady growth of the Corporate Learning business and the back to growth turnaround of the Skills and Career business.

If we look at the Go-Forward businesses, as you recall in Q4 last year and in fact a couple of years before that we took decisions to exit certain businesses; the Government School business as well as certain international geographies which we decided to exit in Q4 of the previous year. So if we compare on a like-to-like basis our Go-Forward revenues have actually grown 13% Y-o-Y for the quarter and for the full year it has grown 11%. So the point I would like to

make here is that now the base business which we are focused on is growing in double-digit and more.

The Revenue Distribution for the Full Year: Corporate Learning business clocked 56% of the total revenue, SNC 33% and the Schools business 11% and by geography the India business was 35%, the US and European markets put together were 56% and the rest of the world business which is China and Africa and a little bit of work that we do in South East Asia is 8% of the business.

Our EBITDA for Q4 was 132 million with 6% EBITDA, up 74% compared to the previous year's operational figure for the same quarter, and for the full year we clocked Rs 712 million which is a 7% EBITDA margin, up 61% versus the full year operational figures for the last year. This would emphasize that if you were to look at the reported numbers the improvements obviously are substantially larger because in Q4 last year we did restructuring and therefore the EBITDA numbers were lower, but we are comparing the operational numbers what I have shared with you is operational comparison.

On PAT: Our Q4 number is 178 million, which is a 7% PAT margin, which is up 326 million versus the previous year Q4 and the full year is 672 million, up 694 million versus the previous year operations.

Couple of Other Metrics: Our operational PAT, this is before the share of associated profits NIIT Technologies share of profits, before that we hit +37 million for the full year which is the first time we have been positive in the last 4-years on operational PAT. Depreciation at 492 million is down 21% versus the previous year and this confirms the fact that we are continuing to move towards further and further asset light organization. Our ROCE for the full year was 7.1%. Our EPS for the full year was 4.1. Our bills receivables from last quarter of 2567 has come down to 2500. Our DSO days has also improved from 94 at the end of last quarter to 91 at the end of the Q4. Our net debt has also gone down from last quarter of 1168 million is now standing at 1001 million. Our head count excluding retainers is down to 2372 from 2705 last quarter and then reason for the reduction of 300 or so is because the Bhutan project got over.

If I were to summarize the year, overall the year has gone very much to plan, in fact, the numbers that we delivered are slightly better than what we had hope to deliver. The SNC Business Transformation Program has delivered the results, it brought it back to growth and back to profits, while CLG as indicated has delivered 16% top line growth and 12% EBITDA.

If I now take you into the Individual Businesses, the CLG business at Q4 was now 18% Y-o-Y and if you look at the full year it is up 16% Y-o-Y, so slightly ahead of 15% that we indicated, the EBITDA is at 12% a few basis points better than last year if you get down to the details. Our MTS share of revenue for FY-'16 is at 90% as against 87% last year which emphasizes the fact that we are moving more and more towards long-term annuity-based business. Our revenue visibility has risen, right now at USD 200 million, up 11% from the same point last year.

We have added four new customers this quarter and seven overall the year. So this has been a very good quarter in terms of new customers.

Our order intake for the full year has grown 28% over last year and our pending order book stands at 27%, up from the end of last year. So overall CLG business in spite of the weakness that was seen in the Energy vertical delivered a consistent growth and also improved its EBITDA, in fact, we actually did a little better than 12%, but we invested back the improvements that we got due to productivity into enhancing our sales and advisory capacity, so that has not come through in the final numbers, but there was actual improvement.

We have also made some important platform investments in CLG and the funnel at this point of time is amongst the healthiest that we have ever seen in the last few quarters.

The SNC business the Q4 revenue was up 5%, this is compared to (-17%) in the same quarter last year, so substantial turn around, and for the full year at 3326 million, our SNC revenues are up 1%, so back to growth earlier as we had indicated, in the previous year we had actually de-grown 18%, and if you look at the quarter trend we were (-3%) for Q1 (+1%) for Q2, (+3%) for Q3 and (+5%) for Q4, so again the trajectory is healthily moving in the right direction. Our EBITDA for the full year stood at Rs 51 million which is 2% EBITDA, Back to Profit as we had indicated, last year we were (-5%).

Apart from this few other metrics here: Our Channel business which is all the business we do through our business partners in India. In spite of the fact that we actually reduced our number of channel partners by 43% over the same period last year, our revenue from the channel has gone up 8%. So substantial improvement in Channel performance.

Our Beyond IT growth has actually been 23% for the full year which is our Banking and Management Training, in particular the Banking business has done extremely well. If you look at Beyond IT versus IT, Beyond IT has now hit 40% of the total revenue of SNC versus 33% last year.

An Important Thing: After our investment or our kick off of the NIIT.tv activity in Q3 we decided to pull forward some of our investments for our commercial online portal which we had actually planned to do in this year and we made some investments in Q4, so we spent about 22 million which are not reflected in the EBITDA numbers I just mentioned for SNC but even if we were to include in there we have delivered profit for SNC at about 29 million.

We launched the DigiNext and the new Digital GNIIT Program recently and we believe that we are right now very well positioned to address the major Digital Transformation that is happening in the IT sector. Those of you who track the IT sector would be well aware that the single biggest concern and opportunity that the IT Services firms are facing is how to reskill their entire work force so that they are suitably skilled to service all the business that is coming in which is all Digital skills. We have engaged really well with all these companies and we are getting very strong pull in terms of these products.

NIIT TV Few Metrics: Total user base has now crossed 300,000. More important, we have more than 5,500 Courses across Undergrad, IT, Management, Schools and Engineering. Anecdotally, I am told that this is probably the largest Indian Online Portal in terms of the number of courses that are being offered today and all this has been achieved in less than 6-months. The average time spent by learner on NIIT.tv is 13 minutes which is again significantly above the average for most MOOCs that you see worldwide. So that is a good indicator.

StackRoute which we launched in August last year has made an immense progress. We have strong demand for this program from a number of large IT services firms and we have completed 7 waves of enrollment and we have got extremely good feedback from all the students those passed out of these programs who are all existing working professionals of the large IT companies.

Overall for the full year, the SNC Business Transformation Program delivered exactly what we wanted it to deliver, in fact, in numbers it delivered little better than our expectation, but we brought the business back to growth and back to profit. The international part of the SNC business has grown very strongly with very good margin. The Channel business as I mentioned has grown really well. Beyond IT has grown really well. Our big new initiatives StackRoute NIIT.tv and DigiNext are all doing extremely well at the current moment.

Schools Business: Our revenue for quarter was down 22% to 301 million understandably because we also exited the Government Schools for Andhra Pradesh and Telangana in Q2. Having said that our Go-Forward business which if we exclude the Government business and the asset-based business which we are not doing anymore, the Go-Forward business in Q4 has actually grown 4% which is a clear signaling of the fact that the new leadership team and the Gavin Dabreo has taken on the role as CEO in November, he is already having impact in terms of the upturn in the performance of this business.

On EBITDA: We did an EBITDA of 16 million in the Q4 which is 5% EBITDA versus (-12%) last quarter and for the full year our EBITDA is 22 million, which is 2% compared to 4% last year, and this I must emphasize is in spite of our revenue dropping 25%, we have been able to maintain roughly the same EBITDA and obviously expectations are with the restructured business we will be doing better next year.

We had 122 new school customers in this quarter. Our Government Services receivables have reduced from 1026 million to 953 million. So some progress has been made on important receivables in Government. So overall for the Schools business the business de-grew because the Government School business some of it came to an end.

We formed a new subsidiary, we had a new CEO joining, we did significant restructuring of the cost base and also the asset base, and our sales productivity has already improved substantially this year compared to the previous year. So we now have reshaped business which has delivered 2% EBITDA on 25% lower revenue base and 4% Y-o-Y growth on the

Go-Forward business in Q4. So this is where we set the base for looking forward with a new investment program and the new vision that Gavin has defined for the next 3-years.

I would also like to take you very briefly through a forward view of where we are heading and then I can take questions after that. So looking forward for the coming year, as the Corporate business continuing its trajectory of 15% top line and 12% EBITDA and any improvements in EBITDA that we get because of productivity improvement, we will keep revisiting back to enhance the sales and advisory and platform investment.

SNC business we are expecting the top line growth to be in high single digits as against 1% that we had for this year, and we are also expecting our EBITDA which was 2% for this year to improve significantly, but it will remain in single digit.

One important point however is that in Q1, in DigiNext and in StackRoute we are making significant investments so that we can actually deliver the significant demand that we are seeing in the market and that will reflect a little bit on the EBITDA for Q1 while the revenue line will continue to track upwards as it has been for the last four quarters.

I will stop here and then I can answer Questions on Strategy and anything else that you like me to respond to.

**Moderator:** Thank you very much, sir. Ladies and Gentlemen, we will now begin the Question-and-Answer Session. The first question is from the line of Abhishek Kumar from JM Financial. Please go ahead.

**Abhishek Kumar:** My first question, Rahul, is on the demand environment especially in the Managed Training Services. Have you seen more acceptance or more willingness from the large enterprises to outsource their training spend compared to what they were at a couple of years back or even one year back?

**Rahul Patwardhan:** The short answer is 'yes' and it is reflected in real terms in the fact that our funnel is the strongest that it has been in the last five quarters or six quarters that I have been around, and our strategy to deliberately de-risk ourselves a little bit from the oil sector and focus on BFSI and Life Sciences is also visible in the funnel, we do not share details in the funnel, but we are currently feeling very comfortable and satisfied with the quality and the size of our funnel. In addition, we are also starting to see emergence of what we call comprehensive or I think RFIs and RFPs for comprehensive deals, often these do not necessarily culminate in actually an order. We have Sapnesh on the call who is heading our CLG business. Sapnesh, would you like to add any comments on this?

**Sapnesh Lalla:** Yes, we are seeing uptick and more importantly corporations desire our enterprises desire to outsource what is not core to their business. Specifically, they are starting to see specialist organizations like NIIT come up and be able to perform well on Training Outsourcing and that

is I think resulting into more confidence in corporations and therefore in expanded form on a larger set of opportunities.

**Abhishek Kumar:** Where I was coming from was while 15% growth for next year is healthy but it is still lower than the growth that we were witnessing in FY'14 & FY'15 both the growth was significantly healthy. So given the fact that the pipeline has been very healthy and we have been winning consistently clients, is 15% slightly more on the conservative side or is it because the effect of softness in the Energy client is keeping least the aspiration rate growth low at this point in time?

**Sapnesh Lalla:** You are coming in and out and so I could hear may be one in three words that you said, but I think the gist of what you are asking was that "The growth rates that we are projecting, are they conservative or is it because of the softness in the oil sector rather different reasons that you pointed out", I would say all of the above, as you are probably aware Energy segment is a reasonably significant part of our current revenues and softness in that requires us possessed fulfill the whole that softness is created before you start work. But I think from an overall perspective we see strong growth opportunities in spite of the fact that there is softness in the Energy segment.

**Abhishek Kumar:** Rahul, when you joined you said that the focus will be on improving the deal win ratio and also in terms of improving the RFPs or in terms of our proposals, you did mention that we have been working on some comprehensive RFPs. So, if you could give us an update on how the win ratios have improved or how have we progressed on that front?

**Sapnesh Lalla:** So our deal win ratio have improved from 1 in 6 opportunities to now 2.5 in 6 opportunities. So when I say 1 in 6 opportunities, that is responding to qualified opportunities, we used to win 1 out of 6, now we are winning 2.5 out of 6, that is an indication. Overall that is a substantial improvement. So now we are at almost winning a shade below 1 out of 2 qualified opportunities.

**Abhishek Kumar:** My next question is on the Skills and Career Group. A very strong growth that we have seen in Beyond IT. You mentioned that it is because of the Banking sector. So is there any seasonality which has led to the strong growth or can we expect this to sustain going forward also?

**Rahul Patwardhan:** I think if you have been tracking what is happening in the Banking sector and the announcement by various banks a week ago there was an announcement about total recruitment by the top three banks -- HDFC, Axis and ICICI -- and our main customer is ICICI but we also service number of the others, all of them are indicating where there is going to continue to be substantial recruitment in the coming years because of their need to service the branch opening targets for the smaller towns and cities across India. So we see that continuing. Also, we are expanding our portfolio as well as expanding our reach to more banks, we are trying to penetrate a few more at a deeper level. So yes, we are feeling confident about the banking projection going forward.

**Abhishek Kumar:** So FY'17 if we have to look at for in this segment would it be fair to assume that Beyond IT will still be driving the overall growth or you think even the IT will start pitching in with StackRoute and other initiatives that we have taken?

**Rahul Patwardhan:** IT is going to improve and it is our intent that this year we will see a bounce back of the IT business... 'bounce back' may be a big word because sounds like it is going to go very high up, there could be a turnaround on the IT. In terms of the launch of StackRoute and DigiNext, we already see a lot of confidence because of the demand that we are seeing from the recruiters and the companies, they really like the products, they are getting extremely good feedback about what we are offering, our task is to make sure we bridge the gap between what the companies very clearly want and what the youngsters in colleges understand about this product. So this quarter and the next quarter for us is very critical to get our communication to especially the engineering undergraduate market segment. The second part of it of course is the reskilling of existing IT professionals. There I think we are more confident because demand is driven by the companies themselves and it is their own employees who need to be retrained. So there it is scaling of task, it is more about getting our infrastructure in place to deliver the demand that they can already feel.

**Moderator:** Thank you. The next question is from the line of Manik Taneja from Emkay Global. Please go ahead.

**Manik Taneja:** My question pertains to the Skills and Careers segment. While you have alluded to some of the courses that you have launched recently, if you could talk in detail about some of your courses on the Digital side and as well as some understanding in terms of is there a corporate tie-up that we are essentially working with in terms of reskilling of the existing workforce, and some sense in terms of how should one expect the benefits from operating leverage flowing in this part of the business?

**Rahul Patwardhan:** So I will give you a few comments then I will ask Prakash Menon who took over the responsibility for the SNC business globally, you may recall that he was heading the China International business till around end of Q3 but based on the success that he has had there plus in a way he launched DigiNext in not in the same name but in China last year. So we have a proven track record of DigiNext model which is now being rolled out in India. So as I said, we are expecting the overall SNC business to deliver a high single digit growth rate for FY17 over FY16 compared to the 1% that we delivered this year over last year. That should give you an indication of the confidence about the improvement in this business overall and that is not based predicated only on Beyond IT, it is on both parts of the business. What we are launching is two parts -- One is the StackRoute Program in IT; the Second is the DigiNext program. StackRoute is focused at the corporates in India for the re-skilling of their work force but it is a very high end re-skilling of workforce who are involved only in Digital Services and in IP creation. The DigiNext program is for the larger volumes. Every single person in the large IT companies need to re-skilled on the new digital technologies not necessarily because they have to become IP creators but simply because all work coming in today involve Digital skills. In



addition, all these companies are looking at recruiting people fresh who have these skills ready to apply and the problem is that the university system has completely failed in terms of providing these skills in the undergraduates who are emerging currently. So there is a short term immediate need for people who can be available to start and join these companies with these skills at the fresher level and we are the only company who actually has built a program nationally to service them. So I think we are sitting on something which is very similar to what NIIT did in 1981 when nobody was training people for the software sector and we filled the gaps, an opportunity to do what we did before. Beyond this of course there is also the Banking sector which I mentioned, there is also the management sector. So when you add it up all together, we are seeing clear improvements in top line and also improvements in EBITDA above the level that we delivered this year. There is one more element which I did not mention which is that the NIIT.tv launch that we did in October last year has been successful from the metrics that we have laid out for ourselves. To emphasize we had done this with zero marketing investment and therefore the progress we made in 6-months is actually quite commendable for our website of this kind. Because of that we have now already preponed our plan to launch a commercial portal and sometime in Q1 we will be launching commercial programs not through NIIT.tv but through a commercial multimodal portal which leverages all the technology investments that we have already made in NIIT.tv and we started seeing revenue line emerging on the Online business, though in the coming year we expect to be seeing a negative EBITDA for the Online business. So we are actually creating a separate business unit which is headed by Udai Singh who used to be responsible for Strategy and Technology for NIIT, he is now full time responsible for the new Online business.

**Manik Taneja:** If you can give us in terms of what kind of operating leverage should we look at in this business because last year you have been able to control cost and report a positive EBITDA margin despite the investments that you are making in terms of new courses that you are launching?

**Rahul Patwardhan:** The only indicator I can give you is that we are expecting our EBITDA to improve and that is best I can tell you at the moment.

**Moderator:** Thank you. The next question is from the line of Kiran Cheddha from Chheda Investment Advisors. Please go ahead.

**Kiran Cheddha:** Sir, my question is little more basic; we have a lot of subsidiaries and I am actually little lost on what business fits in with subsidiaries?

**Rahul Patwardhan:** So there are three sets of subsidiaries that we can talk about -- one is we have subsidiary in certain markets around the world which are essential for us to be able to service our multinational global customers because they insist in some cases on being build locally and those cases we have no option but to either set up a subsidiary or a branch, we study the pros and cons of whether it should be a branch or accordingly decide, in many cases it has turned out that the subsidiary made more sense in the branch. So that is one set. So they have a very

relevant reason. These are all foreign subsidiaries. Second set of subsidiaries that we have are subsidiaries in the emerging market, for example, in China or in Africa we have a subsidiary in Nigeria. So these are all set up in the past because of our Education business. In Nigeria we do substantial business and we manage 28 franchisees through the subsidiaries. So it is very profitable business actually. Every time we go into a new province you are required to set up a local entity, even if it is 100% business of your own, the province require you to set up an entity to be able to operate in that province. So that is why you will see a number of subsidiaries in the China business and in India we have of course the joint ventures which you are aware of.

**Kiran Cheddha:** Yuva Jyoti is for the skill development?

**Rahul Patwardhan:** Yuva Jyoti is a joint venture with NSDC focused on Skill Development, Uniqua is a joint venture with Genpact focused on ITES and BPO specific training, and IFBI is a joint venture with ICICI focused on Banking Training.

**Kiran Cheddha:** What does NIIT standalone now?

**Rahul Patwardhan:** NIIT standalone is the company where we service all the India domestic business, whether it is retail business or we manage all the channel partners in India or we do the corporate businesses in India or all the delivery that is done in India to support the offshore delivery that is done to support the US, European CLG business.

**Kiran Cheddha:** Sir, my second question pertains to your Presentation Page #6 where we have shown net other income and that is in negative for both the quarters and also both the years. What is that sir?

**Rohit Gupta:** The net other income includes the interest that we paid on our borrowings and it also includes if there are any FOREX gains or losses are there any mark-to-mark losses that are there in the quarter and if there are any other exceptional provisions or writebacks then that also is covered in other income. So, in this quarter if you see (-14), this is a combination of interest on loans and financial charges of the interest that we have earned on our deposit and loans of about 51.6 million and we have FOREX loss of (-3) million. There is a writeback that we have taken of approximately about 40 million for certain provisions that we had to take in the previous year and as we have said that we would obviously be looking at recouping some of these amounts and here this provision in this year are now written back because they do not require to be provided for. So, that is how we have net other income of (-14) in this quarter.

**Kiran Cheddha:** Annual would obviously come in the Annual Report also, right?

**Rohit Gupta:** That is right, the annual figure for our net other income is (-146).

**Kiran Cheddha:** Can you help me with the details if possible?

- Rohit Gupta:** The overall interest on loans and financial charges net of interest on deposit and loans is around approximately 237 million and the balance is there is FOREX gain of about 20 million and the balance is the provisions that has been written back during the year. I just wanted to remind you that last year we had taken a one-time charge and we had taken certain higher provisions and we have also mentioned that during the year we would be obviously looking at some of these provisions coming back into our profit & loss. So when I say these write-backs, these are the provisions which now not necessarily desired to be provided.
- Kiran Cheddha:** So we have written back all the provisions. So now we do not have any more that write-back that will come up?
- Rohit Gupta:** Whatever has come in during this year that we have written back.
- Kiran Cheddha:** My third question refers to the Schools growth. If I heard you correctly we do not have any more Government Schools with us right now?
- Rahul Patwardhan:** That is not correct. We completed the Andhra Pradesh and Telangana Schools Project in Q2. We now have three remaining states – Maharashtra which finishes actually in Q2-Q3 borderline of this year, next year we will be completing Assam towards the end of FY'17 and then one year later we complete Chhattisgarh and then we will be completely out of the Government Schools business.
- Kiran Cheddha:** But we have added Private Schools and anyway we have been reducing Government Schools, that is one part of it. The other part of it is that we have been following an asset light model. So sir, what I do not understand is why would the EBITDA margins still go down in this group?
- Rahul Patwardhan:** The Government Schools business margins were more or less breakeven. We have also had a period in the Private Schools business where we have had management change and restructuring of the business. So as we Go-Forward and there is more of the private sector schools business... currently, private sector schools business is a smaller part of the total revenue. But as that increases, the margin should go up.
- Kiran Cheddha:** Even in FY'16, this has happened to a certain extent?
- Rahul Patwardhan:** Yes, we have also got the closing down cost of the Government Schools business which has to be factored in when we finish a contract with a few hundred schools catered across the state and we exit then there are a lot of things that need to be done, so those closing cost also have an impact.
- Kiran Cheddha:** What would be a steady state EBITDA operating margins for this group?
- Rahul Patwardhan:** At this stage, we are not giving an indicator. We expect it to improve clearly compared to where it is today. But we have a completely new plan and new vision that has been chartered by the new CEO for the coming three years – one is to drive the existing B2B business, now

that we have got positive trajectory on the Go-Forward business, that will continue going forward; second, we are looking at adding a new model which is School Management Business model where we will manage not just by offering products and services to schools but help them manage a large part of the actual delivery of education in their schools, so that is a new business we are looking at; and Third, we are looking at building a unique B2C Online platform, a lot of work is already happening on this and this is a part for which we are looking for strategic investors to help us fund the growth of this third model. So there is quite a bit happening in the Schools business which is why I am a little reluctant to give you a very specific EBITDA number at this stage, but we intend to improve the numbers that we have delivered this year for sure.

**Moderator:** Thank you. The next question is from the line of Dipen Shah from Kotak Securities. Please go ahead.

**Dipen Shah:** I had a couple of questions: Firstly, just in continuance of the Schools business, we have seen about 50% jump on the quarter-on-quarter revenues. So, if you can just throw some more light? Also, the second question relating to the same business is we have been looking for some strategic options in the business if there is any update?

**Rahul Patwardhan:** The first part I think you need to understand the Schools business how it works – the main deals happened in Q4 and Q1 because they are linked to the academic calendar of the schools. So in Q2 and Q3, most of the work that we do is actually early business development and the major deals get signed in Q4 which is before the schools close or immediately after the schools start which is in April-May-June. So there is a seasonality factor there. Therefore, comparing Q4 to Q3 has really no meaning. You should compare with the previous year. On the investment side of things, as I said, we got our vision document now in place. We have prepared an information memorandum to start discussing more seriously with investors though we have actually been talking to a few before this. So, the work is now starting in earnest. That is about as much as I can report at this point of time.

**Dipen Shah:** Also, there was a previous question regarding the Online business. If you can just pose some more visibility in terms of the expenditure impact on bottom line as far as this business is concerned? I just missed out on the gross debt, the net debt and the debtor numbers.

**Rahul Patwardhan:** On the Online business, as I mentioned in Q4, we invested about Rs.2.2 crores to build the platform and various activities around the content by way of development. We expect that we should be having around Rs.5 crores of EBITDA impact in the coming year on the investments that we are making in the Online business but we are also expecting revenue. So the total investment maybe a little higher but even if we take our pessimistic view we hope the EBITDA impact will not be more than Rs.5 crores.

**Rohit Gupta:** Our gross debt levels have come down this quarter, so this quarter gross debt is Rs. 1949 million and we have also seen improvement in our net debt level, so last quarter our net debt was Rs. 1168 and this quarter our net debt is Rs. 1001. As already mentioned, the debtors have

also seen a marginal improvement, our debtors last quarter was Rs.2567 million and this quarter we have ended the quarter with debtor figure of Rs.2500 million.

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

**Ganesh Shetty:** My question is regarding our India Corporate Learnings business. Can you please outline the progress in this business for this quarter? Our team leadership guiding this sector.

**Rahul Patwardhan:** Sapnesh, maybe you would like to answer this, what progress have we made in this business in this one year.

**Sapnesh Lalla:** I think to fair extent that business is visible in the numbers. If you have seen the annual a little bit you could also see the progress made in diversifying from the Energy segment into other segments namely Life Sciences, Banking and Financial Services. Now, solution is not risk-attractive to Energy, Telecom and Technology but it is being found to be interesting and effective in a wider and more diverse set of customer segments. I think our reach has improved, our conversations with customers have improved, our growth in terms of growth from existing customers have improved, so our level of engagement with our customers have improved. So overall I think we are making improvement in multiple dimensions. We also pointed out that we have invested in a productivity improvement program which is starting to show results and I think we will continue on that path going forward.

**Rahul Patwardhan:** I think you are asking about CLG progress in India. I think we are making good progress. The pipeline for total Corporate business in India has grown quite a bit, much of the pipeline is still transactional business of the kind that we are doing earlier but we are increasingly getting into conversations with a number of the major Indian and multinational customers with large employee bases in India who are interested in what we do for large global customers outside. So I am hopeful that as we go through this year we shall start seeing some movement towards strategic long-term deals from the Indian market. So StackRoute for example itself some of the StackRoute deals that are being discussed are three year deals. These are the companies who want us to address the training recruitments of the top end of their IT workforce for the next 3-years and there are similar deals which are nothing to do with IT like we do with the customers globally who are looking at full MTS contracts. So there are discussions going on but it is still early days.

**Ganesh Shetty:** My second question is regarding our Digital Transformation Program which we are trying to do it in a very big way. But my question is whether we are finding enough competent staff to scale up these operations?

**Rahul Patwardhan:** It is a very good question first because if there are not enough people in the industry then it stands to reason that it is also difficult to find quality faculty. This is where NIIT has an advantage because we already have in place SLT or Synchronous Learning Platform model wherein expert faculty is sitting in Bangalore or Chennai or Delhi, can deliver lectures and

content and discuss case studies with students sitting in classes in 220 locations all over India and we have been doing this for Imperia, with IIM Kolkata, IIM Ahmedabad for last 8-years, it is not something that we are trying out new, it is well proven and some amongst the most demanding customers that IIM Kolkata, IIM Ahmedabad and so on. So that model is what we are using. So we have expert faculty, we do not need too many of them because the same faculty can address a large pool of students. The more difficult part is in every physical location, we need to have experienced laboratory mentors, people who are sitting in the laboratories, supporting the students, but they are not faculty, they are technical people who must assist the students when they have difficulties in the learning process. That part we already have a pool of faculty were being retrained and that program had already started sometime in the beginning of Q4. So we are making good progress to make sure that when our first program starts in the end of May, we will have everything in place.

**Moderator:** Thank you. The next question is from the line of Chetan Vadia from JHP Securities. Please go ahead.

**Chetan Vadia:** Continuing with the Digital Transformation question that was asked, what kind of investments in capacities we have to create to achieve the desired revenue and would this mean that the company will be seeing 25-30% revenue growth over the next 3-5-years? Also, what will be the EBITDA margin at the revenue of 500 million and what will be the long-term EBITDA margin for the company that you would like to achieve?

**Rahul Patwardhan:** Number of questions. The first, number I called was the 500 million and you are referring to a press article which said something about that, it is not a complete representation of what was felt. There was a discussion about what we see NIIT's overall revenue ambition is over the next 5-years. Not just the Digital Transformation Training revenues, that includes CLG and everything else. We got no connection to the SNC business, it is for the overall NIIT and the ambition including acquisitions, everything else that I have been chartered as the CEO to try to achieve. On DigiNext, the investments that we need to make are predominantly around product development, #1 because we really have to put together very-very complex product offerings because all model of DigiNext is also completely different from the way Education and Training were being delivered by NIIT before, the methodology is completely project-based. So the people who come out of our DigiNext program or StackRoute program, they do not just learn the theory and some amount of practice, they come out having actually produced things and therefore they are going to be employable or productive day one and from StackRoute output we have already seen the results of that and the customers who received the students are immensely happy with the capability and the confidence of the students have emerged. The second part of the investments is obviously we are on marketing because we do need to get people to understand. While the industry understand, the recruiters understand, the technical people in IT companies understand what our product is about, so it will automatically translate to the undergraduate students understanding that this is a very unique and different products. So we need to reach them and get them to understand that for which some amount of investment has been made in marketing. It is not anything different from what we have been

investing every year, but we need to redirect our investments to making sure the message is fully understood. The third piece is because the methodology change, there is some infrastructure changes that we have to make in our centers. All these put together are not very substantial, but because we are making those investments now and some of them will be OPEX rather than CAPEX, because there are people related investments, therefore, I had mentioned earlier that EBITDA in Q1 which will be a little muted because you are preparing ourselves for success for the whole year.

**Chetan Vadia:** Would this mean that the company will be seeing 25-30% revenue growth over the next five years? What may be the EBITDA margin at that level of revenue?

**Rahul Patwardhan:** I am not saying anything about 25-30%. Our CLG business is growing 15%; our SNC business grew 1% last year. I will be very happy if we can bring that 1% up to 15% over the next couple of years and I am sure all of you would also be happy with that. Right now, we are saying that our revenue growth rate for FY'17 for SNC will move up from 1% to high single digit. With our online business which will really kick in from next year onwards... though we are launching it this year, we could see continued improvement in that growth rate. This is about as much as I am willing to say at this point of time.

**Chetan Vadia:** Just to confirm; 500 million is the 5-year target, right?

**Rahul Patwardhan:** It is a 5-year target for the entire company's revenue, not only SNC.

**Chetan Vadia:** What will be the overall margin for the company that you would like to achieve?

**Rahul Patwardhan:** If you want to have a target or a charter, this is not the commitment I am not giving, this is our dream what we would like to achieve, it will be 20% EBITDA but right now I am not giving you any indication that we are projecting any such number.

**Chetan Vadia:** What has been the progress under the JV with tutorialspoint.com?

**Rahul Patwardhan:** We do not have a joint venture with tutorialspoint.com, it is basically a partnership. What we do then is that we publicize their products on NIIT.tv and they publicize our products on tutorialspoint.com. It has been beneficial to us because tutorialspoint.com gets more than a million visitors every month and all of them are coming there for IT Tutorial. So when they go and look at Java IT Tutorial, they also see a video of link for the NIIT IT Tutorial and they come and visit our site. The partnership is helping us achieve that 300,000 visitors on our NIIT.tv site, but has no commercial impact because as you know NIIT.tv is the free portal at this point of time.

**Chetan Vadia:** Just to confirm; the commercial portal you are launching in Q1FY'17?

**Rahul Patwardhan:** Yes.

- Moderator:** Thank you. The next question is from the line of Sufiyan Lakdawala from Lalkar Securities. Please go ahead.
- Sufiyan Lakdawala:** I just needed to understand, your long-term borrowings have increased to Rs.184 crores from Rs.114 crores, whereas if we see your long-term loans and advances also increased. So any reasons sir?
- Rohit Gupta:** Our overall gross debt has come down this quarter but the mix between our short-term borrowings and long-term borrowings there is a change. In this quarter we have taken long-term loans from Citibank of Rs.60 crores and that has been utilized towards the payment of our commercial paper and other short-term borrowings. So overall gross debt is low this quarter. The reason of course has been that as per the accounting standards the utilization of long-term uses has to be with the long-term loans. So just to have that we have taken a long term borrowing from Citibank of Rs.60 crores.
- Management:** On long-term loans and advances?
- Vijay Thadani:** We will get back to you separately while he pursues, after a couple of questions, we can answer that.
- Moderator:** Thank you. The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.
- Ritesh Poladia:** My question pertains to Schools. Mr. Rahul has mentioned that there will be some new offering in terms of managing the entire education. Could you please elaborate a bit on is it like supplying a content as well as teaching stuff or how this format would work?
- Rahul Patwardhan:** Currently, if you look at what we do for the Private Schools, we offer certain products and services like for example the maths curriculum, we may offer some features, but the school basically buys these things from us and take the service from us. One of the concerns that we have had so far is that the effectiveness of our Educational products is conditioned and governed by how the school uses it, which means how the school teachers use it, how the schools plans to use the product and the end result in terms of the impact it has on the children's education is not completely in our control because the overall design and management of the way education happens in the school by the school. So we have been looking at how can we improve the impact that our products have on actual results of school children and for that we would like to have a bit more control on the overall design of what is going on in the school. That is one side of it. The second is there are a number of schools as you are well aware where the investors have the money, set up a school, but does not necessarily have the competence and expertise to operate and run the school properly. Many of them have actually approached us over the last few years saying we will make the investments but "Can you manage the school for us in all operational academic delivery side of things?" We have so far been staying away from this all these years. We are now looking at in a very selective fashion entering the space so that we can help refine our products to deliver better



outcomes but it will also result in a new revenue line called "School Management". We have no intention of starting and owning schools of our own. That is not a business we are getting into. This is just providing "Managed Service" for the schools.

**Ritesh Poladia:** Is this loosely similar to what you do for the Corporate Training?

**Rahul Patwardhan:** In a way, it is like an outsource contract, where the schools say "Can you manage academic delivery of education in my school?" The school remains responsible for commercial dealing with parents, with students, with infrastructure, with administrative services and so on. But the Education delivery is outsourced to us in terms of a set of services.

**Ritesh Poladia:** How would you manage the regulatory environment because I believe each state would have different regulations pertain to schools, so is it not that make you very complicated business?

**Rahul Patwardhan:** Which is why this is not something that we are planning to do on a very large scale, this is a work-in progress and we intend to test the waters with a few schools contracts in this year and then refine a plan going forward.

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**Ritesh Poladia:** So, which are the regions that you would do this?

**Rahul Patwardhan:** At this point of time, no specific indication, we are in conversation with a few schools.

**Ritesh Poladia:** You also mentioned that Government receivables have come down. I lost out on numbers. Can you please help me?

**Rahul Patwardhan:** Last quarter our Government receivables were at 1026 million and at the end of Q4 it came down to 953 million.

**Ritesh Poladia:** If I see on standalone balance sheet, your debtors have come down from Rs.133 crores to Rs.120 crores. But on consol basis, the debtors numbers have gone up substantially about by 30% to Rs.242 crores and I believe the school is now under the consol because it is under subsidiary. So how this debtors have gone up?

**Rohit Gupta:** I think you are referring to the balance sheet which is we have given in the ad; this is a Schedule VI format, so it basically gives debtors under two heads – one is non-current and other is the current. So greater than one year and less than one year. The overall debtor number from last quarter has come down like I already mentioned in the call last quarter our debtors consolidated number was Rs.2567 and this quarter as on 31<sup>st</sup> March the number is Rs.2500. If you are comparing from the last year, as we had also mentioned during our previous calls, the debtor number from Rs.2172 million as on 31<sup>st</sup> March last year has gone up to Rs.2500 million, primarily as we had mentioned on account of the delay that we are seeing in the government

receivables and also the B2B business, the CLG business which is now increasing and has become 56% of our overall business.

**Ritesh Poladia:** So even if I add up non-current trade receivables and our current trade receivables, still it has gone up. So is it because of the School or is there any receivables gone up because of the Corporate Learning also?

**Rohit Gupta:** On a year-on-year basis, the overall receivables have gone up, as I already mentioned, they have gone up from 2172 million to 2500 million and yes, there are two impacts – one is the CLG business is now larger portion of the NIIT revenue and there is a quarter end billing which happens, which obviously impacts the debtors at the end of the quarter plus the Government receivables which we have obviously seen delays in receiving funds from government which has contributed to our debtors at the stage that they are.

**Moderator:** Thank you. The next question is from the line of Ruchi Burde from Emkay Global. Please go ahead.

**Ruchi Burde:** It would be helpful if you could share some light on the business which company plan to discontinue especially related to Skills and Careers route? In management commentary we hear about the go forward business. I am asking about some details regarding the business which does not fall in this category.

**Rahul Patwardhan:** The businesses that we have discontinued in the past were on the Government Schools business, that is one, except for the one that that have to be finished and in SNC we had certain international geographies, for example, we are doing business in South Africa and a few other countries, we decided not to continue with that and we have got only certain focus countries like China, Nigeria and Indonesia which we are targeting which are very large countries as we found. Since we would not be doing any more business in those countries, whatever in the other countries the revenue from that is treated as no-go forward, while the revenue from all the focus countries is go forward then. In this year we have actually also stopped selling certain products in the SNC business which we had decided last year in Q4 and this year again we have rationalized our products portfolio even further and going forward especially in IT, almost all our courses will be focused on the Digital Transformation Curriculum.

**Moderator:** Thank you. The next question is from the line of Rishabh Vasa from Almondz Global. Please go ahead.

**Rishabh Vasa:** My question is regarding our Banking related Education delivery. You have mentioned about the three bigger private sector banks. But there are various new banks are also coming up. So are we in touch with all these players where there will be huge opportunity going forward because they will be setting up lot of the branches and all these things?

**Rahul Patwardhan:** The answer is 'yes', already, we have more than 20 banks who are our customers and we have also focused with the new banks, example, we do work for Bandhan Bank and also looking at

many of the NBFC, we are also looking at some of the new payment banks, whether there will be an opportunity, so far of course we have not yet done any business with them, but yes, we are looking at the entire banking space.

**Rishabh Vasa:** In terms of our Corporate Learning Group, StackRoute program, how is our delivery program like we recruit faculties on our roll or they will be recruited on the contract basis and all these things depending on the requirement of the training?

**Rahul Patwardhan:** So, I think it is a combination, where we have clear demand for continued training on a particular topic, for example, Beanstalk if we already see that we have demand for training large numbers over the next few quarters in a particular city, then we will take people on full time basis but where we are seeing a very point requirement, we may use experts who are on contract.

**Moderator:** Thank you. We take the last question from the line of Kaushik Poddar from KB Capital. Please go ahead.

**Kaushik Poddar:** I heard in this conference call only that you are planning for commercial launch of your website or something of that sort. Can you just elaborate on it?

**Rahul Patwardhan:** We have been working on offering multimodal learning portal where a student learner can go and select the course that he or she wants to do and then decide in which way he or she wants to do the course. So currently, all our courses involve physical delivery in a facility either in NIIT facility or business partner facility, they may also involve some component of online through NIIT Cloud Campus. But through the multimodal portal we will also be offering paid courses which are done entire online, either in SLT model where there will be a faculty online, delivering a course and people will be attending that course online from their homes or wherever or there could be courses which are based on a combination of people-based services and content that is available online. So we are basically expanding our portfolio to offer paid courses which are completely online.

So just a few comments on the strategy going forward: The Corporate Learning Business: We continue to focus on increasing the number of big tickets annuity deal; we continue to focus on mining our existing accounts, as you know, all of them are very large customers, we still do a small part of the total training activity, so there is plenty of potential within those customers alone; we will continue to focus on derisking ourselves from the oil sector by focusing more on BFSI and on the Life Sciences sector; we will continue to focus on Productivity Improvement and Platform Development; and we will continue to focus on our search for good candidates for any inorganic activities.

On the Skills and Career business, there will be very strong push on revitalizing our IT business through StackRoute and DigiNext which is targeting the reality that the Indian IT industry is facing which is that they need to digitally transform and NIIT is already formally a partner with NASSCOM to help achieve this.

We have a continued growth on Beyond IT as I mentioned before; we will be investing more in the Online business this year compared to what we done last year and we will be launching a commercial portal.

In the Schools business, as I said, our vision is defined, our information memorandum for attracting strategic investors had been prepared. We have turned around the structure of the B2B business and we will now be pushing it for growth. We will be launching the new Schools Management Business and we will be launching sometime in the first half of the year Online Offerings in the Schools business and of course, during the year, we expect to be able to attract strategic investors at some point of time and we have started the engagement process.

So, with that thank you very much for joining the call. I hope we will get the continued support from all of you as you have done over the last 12-months and look forward to interacting with you on our next quarterly results.

**Moderator:**

Thank you very much members of the management. Ladies and Gentlemen, on behalf of NIIT Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.