"NIIT Limited Q4 and FY19 Earnings Conference Call"

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Moderator: Good day, ladies and gentlemen. And welcome to the Q4 and FY19 Earnings Conference Call of NIIT. 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: Thank you very much. Good afternoon. First of all, I want to thank you profusely for joining us on what is a well-deserved weekend for each one of you, but you decided to part some time for talking to us at this time. We are grateful to you.

From our side, we have Mr. Rajendra Pawar – the Chairman of the company; my colleagues, P. Rajendran – the Joint Managing Director; Sapnesh Lalla – Chief Executive Officer, the heads of various businesses, people from finance as well as other functions. So, we are all available here to answer and engage in this conversation and answer all your questions.

This time, slightly unlike the previous times, we have two agenda items, normally we have one. So, one agenda item we have is, of course, the quarter four and FY19 Results, which will also mean a discussion and analysis of these results, certain future directions and opportunities in front of us. And this part, Sapnesh will take you through. The second part is about the significant transaction that happened at NIIT since March 31. Many of you are aware of the fact that we divested our stake in NIIT Technologies. So, I wanted to give you an update on that and the next steps relating to that.

So, those will be the two parts of our briefing. And then, of course, we will have a common Q&A, and we will be happy to answer all the questions.

And in addition to me, all my colleagues here will be very happy to participate in this conversation. Over to you, Sapnesh.

Sapnesh Lalla: Thanks, Vijay. Thanks, everyone, for joining on Saturday. As I have started in the past, our business, as you know, is seasonal, and therefore, most of the analysis that I will be sharing will be year-on-year analysis.

For financial year 2018 - 2019, our revenue is up 7% at Rs. 9,102 million. Excluding planned exit from government schools, our revenue grew at 9% year-on-year. EBITDA is up 13% year-on-year at Rs. 842 million. EBITDA margin is at 9%. Our profit after tax is up 38% at Rs. 864 million.

Now there are a number of parts of our business that are visible. CLG, as you all know, has done well. CLG's revenue grew 22% on a year-on-year basis and delivered a margin of about 14%. Our deal flow in our corporate business continues to accelerate. We added nine new Managed Training Services customers during the past year and expanded our engagements with five existing customers and signed two renewals. We ended the year with strong revenue visibility of USD 245 million.

Now to parts that are not as visible, but are key initiatives for us. StackRoute, as I have mentioned in the past, is a key initiative, and StackRoute grew 22% year-on-year and now trains full stack developers for 11 large corporations. Our TPaaS initiative, Talent Pipeline as a Service, acquired new mandates and the revenue going through the TPaaS initiative grew greater than 100% in this past year. We also successfully executed a large contract from a leading public sector bank in India and trained over 2,500 of their employees.

On the back of these key initiatives that have shown growth, the overall revenue of the Skills and Careers business showed positive growth of 5% in Q4 as opposed to a decline in the last nine months. Its EBITDA also grew for the full year.

In terms of our work in our fourth quarter, the revenue stood at Rs. 2,397 million. It grew 8% on a year-on-year basis. And this is the third consecutive quarter of high single-digit growth that we have witnessed. The corporate business grew 9% year-on-year. As pointed out earlier, the Skills and Careers business in Q4 grew, reversing the negative trend that we have seen in the past nine months.

Our Schools business also achieved growth. The go-forward Schools business grew 18%. We also, during this past year, completed all our work with government schools' contracts and are now focused predominantly on clearing receivables with various governments.

Our overall of EBITDA for Q4 stood at Rs. 234 million and achieved the operating margin of 10%. During the quarter, we had an adverse impact of foreign exchange of Rs. 32 million predominantly on revaluation of cross-currency receivables. The PAT was at Rs. 232 million.

From an overall perspective, our days of sales outstanding has improved to 66 days versus 71 days last year, and 77 days last quarter. The net debt has also improved to Rs. 570 million versus Rs. 573 million end of last quarter. The operating ROCE has improved to 15.1%, an improvement of about 120 basis points on a year-on-year basis. So, overall, starting to see improvements across all the key parameters that we measure, including growth, profitability, liquidity and capital efficiency, but still a long way to go.

In terms of specific businesses – our Corporate business, as I mentioned, in Q4, grew 9% and stood at Rs. 1,588 million. In line with our commentary earlier, the Corporate business saw challenges in terms of a couple of our customers pausing or lowering the volume of work that they do with us, and we see that trend continuing into Q1. Corporate business contributed 69% to NIIT's overall revenue in FY19. Its EBITDA in Q4 is at Rs. 215 million, at 14% operating margin.

We significantly increased the sales and marketing activity in Q4 and saw signing up five new Managed Training Services customers as new logos and expanded our operations with one customer. Overall in FY19, as I pointed out earlier, we added nine new logos, nine new Managed Training Services customers and expanded our business with five existing customers and renewed two contracts. This is the highest number of Managed Training Services contracts that we have done in a year. So, a substantial increase in velocity in deals our front office activity.

Another quick update on our work with the Real-Estate Council of Ontario. We have achieved significant progress since we last met, and we expect to start taking applications from students who are going to be appearing for this program in July, and we expect to start delivery in September. This is in line with what we had pointed out earlier.

Our Skills and Career business, the revenue in Q4 was Rs. 629 million, up 5% year-on-year. And for FY19, the revenue stood at Rs. 2,428 million. Let me say it again, for the year, the Skills and Careers business made Rs. 2,428 million; in Q4, Rs. 629 million. For the year, the revenue showed negative growth of 11%, for the quarter the revenue grew 5% from an year-on-year perspective. Q4, we narrowed our loss to Rs. 10 million. However, for the year, we were able to return a positive EBITDA of Rs. 6 million compared to a negative EBITDA of Rs. 30 million last year.

So, from an overall perspective, the Skills and Career business started bucking the trend that we have seen in the past. In Q4 we saw the revenue improve compared to last year as well as seen some change in trend in terms of profitability.

Now this improvement, as I mentioned earlier, is on the back of substantial improvements or growth in our key initiatives. Key initiatives being StackRoute, which grew 22% on a year-on-year basis; and our TPaaS initiative, which saw revenues grow upwards of 100% compared to previous year. Our go forward Schools business, like I mentioned earlier, saw a growth in Q4 of 18% on a year-on-year basis. The order intake in Q4 was up 70%. And the business signed 523 new customers in Q4. Overall, for the year, the Schools business signed 761 new contracts versus 668 in the previous year.

So, from an overall perspective, in conclusion, I would say, like I pointed out earlier, many good things happening, resulting into higher growth than we have seen in the past, improved profitability to some extent compared to what we have seen, bucking the trend in some of our businesses where we have not seen growth, but still a long way to go.

With that, I will hand over the mic to Vijay to take us through a little more or provide a little more color on the transaction.

Vijay Thadani: Thank you, Sapnesh. We will open it for the Q&A conversation just after I finish this briefing. So, please hold your questions for Sapnesh till then in the meanwhile.

So, just wanted to brief formally that we had announced execution of our definitive agreements to sell NIIT's holding in NIIT Technologies to Baring Private Equity Asia through one of its associates on the 6th of April. The closing date for that transaction was May 17. The transaction closed on 17th of May after necessary approvals and satisfaction of all the closing conditions. NIIT received Rs. 20.2 billion, which is Rs. 2,020 crores on the closing date, which were of course immediately deployed in interest-earning instruments.

Simultaneously, the Board meeting which took place just on a few days after that, the Board took a note of the closing of this transaction and has constituted a committee to make recommendations for utilization of proceeds for rewarding shareholders in the most efficient and judicious manner after providing for transaction-related costs, taxes, retirement of debt, growth capital and a prudent indemnity reserve. I could provide more details about the costs and taxes, etc, in case somebody is interested. But enough to say that the committee has been mandated to provide its recommendations prior to the declaration of results for quarter one.

Also, since the transaction was completed in quarter one, we are planning to get accounts of Q1 FY20 audited, to determine eligibility for various actions. In the interim, given the improving performance of the business and the liquidity event, the Board has proposed a dividend of Rs. 5 per share, which amounts to 250% of the face value of each share. In addition, the Board has also asked the management to update the strategic plan in light of the liquidity event and review its product portfolio and recommend product lines that can be accelerated as well as those that can be rationalized.

So, these exercises will take place over the next few months. So, at this point of time, I just wanted to brief everybody that the wheels have have been put into motion. But the most important thing is the announcement of dividend and the formation of committee whose recommendations will be available to us before we announce the results for quarter one.

So, I will stop here, and we will now take questions on both the business performance as well as if you have any on the transaction.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashish Kacholia from Lucky Investment Managers. Please go ahead.

Ashish Kacholia: I have two questions. One is if you could just flesh out the cash proceeds and what is the preliminary thoughts that you have, if you can share anything? And my second question is regarding the Corporate Learning Group. The growth in this quarter has tempered down to 9%, and this is after a long run of 25%-plus kind of growth that we have seen in the last three, four quarters. And plus, in addition to that, the revenue visibility has also come down from the end of third quarter, USD 255 million to Rs. USD million. So, is there some slowdown in the business? Can you share your thoughts on this?

Vijay Thadani: Okay. Ashish, thank you very much. First of all, let me give you the understanding on the cost. So, the transaction cost and taxes in our case, as you know, the tax which is applicable will be much less, but we will be governed by minimum alternate tax, MAT. And therefore, if I take the MAT and the cost of the transaction, that will add up to about Rs. 350 crores. The indemnity reserve is Rs. 222 crores. And we intend to retire a debt of Rs. 180 crores, which is in our balance sheet over the next six, seven months period. So, the balance available for both growth capital as well as distribution to shareholders will be about Rs. 1,270 crores. So, that's part one.

Sapnesh Lalla: I can comment on your question about the Corporate business. What you saw is in line with what we had said a couple of quarters ago and reiterated last quarter as well. And as I had mentioned earlier, we saw a pause in work or a reduction in work with a couple of our large customers, predominantly due to M&A related issues. And given that, we had anticipated that the current quarter which is Q4 of FY19 and Q1 of FY20, would be a quarter of muted growth for the Corporate business. Given the deal velocity that I mentioned, I think the Corporate business is going to come back quite strongly beyond the first quarter of FY20.

Ashish Kacholia: Sir, my worry was more on the fact that the revenue visibility has gone down, that was my bigger concern. Assuming that there is a slowdown in one quarter, that's fine or two quarters, but this is the number that should be stepping up, right, if we have to build in long-term growth?

Sapnesh Lalla: I think you saw the number grow quite substantially at the end of Q3, because we acquired a couple of significant customers. And while we added to that, we also reduced the revenue that we earned in the past quarter. So, I don't think the reduction in visibility is really material, and I think from an overall perspective, the business trajectory, which is more substantial than it is today. If you were to look at year-on-year visibility, it is up significantly. So, I think what you are seeing is a temporary phenomena, not just from a revenue perspective but also from a visibility perspective.

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

Ganesh Shetty: And sir, SNC business is still having headwinds and if you see for the last four quarters, it is more or less at around Rs. 60 crores - Rs. 65 crores of business per quarter in spite of our new initiatives, and new digital opportunities what we were having for the last two years. So, can you please give some highlight on these, how we are heading towards acquiring the new businesses and the prospects of this business? And I have been following this business for last many quarters, and there is no certain improvement or upward trend, which is visible, sir.

Sapnesh Lalla: So, I would say a couple of things. One, you are right, this business has shown negative growth over the last several quarters. I think from that perspective, Q4, the business bucked the trend, while I agree with you that their revenue has stayed in a range. But one way of looking at it is it's bucked the trend of negative growth and starting in a positive territory. I think second thing I would say is there are opportunities that we had identified a couple of years ago and invested in, including the StackRoute business as well as the Talent Pipeline as a Service. Those investments are starting to show growth. And on the back of that, this business is starting to do well. So, I think from an overall perspective, the business is starting to see growth. It is not very strong growth at this time, but after many quarters, I think 12 to 16 quarters we have seen a quarter of 5% growth. Second, I would say that the business also saw positive EBITDA this year compared to a few years of negative EBITDA. So, I think while I would agree with your statement that this business has not grown in a very substantial way over the last few years, but I think we are starting to see some green shoots and some of those green shoots are starting to take root.

Ganesh Shetty: And sir my second question is regarding the NIIT Technologies. Our major part of profitability for the entire year has been contributed by NIIT Technologies' profits, that is profits from associates. And now we are without NIIT Technologies. So, how we are going to maintain the same level of profitability or advanced level of profitability in the quarters to come, sir?

Vijay Thadani: Okay. I think this part has two questions, I mean, there are two answers to this question. One of course, is the strong business performance, and I will ask Sapnesh to talk a little bit more about how the business performance is strengthening. But second, which is not definitely a kind of an explanation, but definitely to make you feel comfortable, the amount of interest which the treasury part of the business till it gets deployed, the treasury part of the business we will generate and save will, I think, compensate for what you used to see as associate profit, which was below the line. So, in any case, at the EBITDA level we need to see a more robust growth, which you also wish and I think all of us are wishing and Sapnesh is driving that. And below the line, instead of associate profit, you would definitely have saving of interest, and you will also have interest on the treasury that you will deploy till you start using all the funds.

Sapnesh Lalla: I think from a business operations perspective, a couple of points I wanted to mention. First, we are seeing acceleration initially in terms of our deal flow, and this acceleration in deal flow will translate into acceleration in growth on the corporate business. Second, like I pointed out earlier, SNC as a business showed growth in Q4 and went into black this year, which I think is a significant turn, and I am expecting that it will continue on this trajectory of showing growth and profit from a go-forward perspective. Last thing I would say is that our go-forward schools business saw growth in Q4, and I expect that performance to continue.

So, from an overall perspective, I think we are starting to see growth, we are starting to see profit from some of the businesses that have not shown profit and acceleration in growth in the Corporate business. I would say those few things put together will show an improved bottom-line picture for the business as usual. Further assisted by the cash on the balance sheet, it will help us achieve lower interest cost and create an interest income, given what Vijay pointed out as retirement of debt and having cash on the balance sheet. So, I would say that those dimensions, I think, we would be able to take care of what we would lose in terms of profits from associates.

Moderator: The next question is from the line of Ashish Kacholia from Lucky Investment Managers. Please go ahead.

Ashish Kacholia: Why do we have such a big depreciation line in our P&L? Because our business is now not very capital intensive, right, so why such a big number? And is it expected to continue over the next few years?

Vijay Thadani: See, depreciation has been reducing, it is still Rs. 36 crores.

Ashish Kacholia: So, we have so many assets on our books worth Rs. 36 crores?

Vijay Thadani: Yes. So, there are technology assets. Then there are predominantly technology assets and then the regular offices, and there was a capacity expansion project in CLG, which has been implemented. But I think the depreciation will remain at approximately this level only. Sorry, I must point out, there is a very important element of depreciation, which will come in once the RECO gets implemented, because RECO has a capital expense which is under deployment at this point of time, it's work in progress. But as soon as that happens, but then come at that time RECO revenue will also come in.

Ashish Kacholia: Right. Is it some part of our expenses toward certain projects which get capitalized?

Vijay Thadani: In case of RECO, the whole content which has been developed and the platform which has been developed, maybe Sapnesh, you can explain.

Sapnesh Lalla: Yes. So, the RECO project is different from projects that we have done in the past. Projects that we have done in the past, we get paid on a work-for-hire basis, and that does not require any capitalization, whereas the project that we have with the Real-Estate Council of Ontario, it's our job to first create the content that we will use to teach the real estate agents on a go-forward basis. That creation of content requires investment, and that investment is going to get capitalized as we start delivering that project and will depreciate over the term of this contract.

Ashish Kacholia: Okay. Anything that you would like to share with us?

Vijay Thadani: Ashish, one more thing, which I thought I should mention to you since you mentioned concern on depreciation. Our depreciation or our capital expenditure used to be 7% to 8% of our revenue when we had more asset-intensive businesses. And as we have been bringing them down, it is now down to about 4% of our revenue. Having said that, 4% is still on a higher side. If you do a benchmarking with other services business, it should be more like 3%. 2.5% to 3% is what we are heading towards. But if you look at it on the other side, the interesting part of the learning outsourcing business and the way we have structured our contract, our working capital needs are on a lower side compared to what you would see in the services industry. We have been able to manage our bills receivables as well as working capital requirements fairly aggressively. So, if you look at total capital employed in the business in comparison, I would tend to feel that our capital employed will kind of balance, a little higher on CAPEX side, which we are working towards, but fairly strong on the working capital side.

Ashish Kacholia: Is this going to be a trend going forward in terms of larger contracts? We are going to be capitalizing the development cost upfront and then writing it off over the contract size?

Sapnesh Lalla: That's really dependent on what type of contract we get in. This is at this point in time unique. But if we were to get into a similar deal, which affords us a strong visibility of revenue over the period of the contract, then it might make sense for us to get into such opportunities.

Vijay Thadani: No, Ashish, let me complete. This in many ways, we are building the content and then operating the contract, correct? So, that's why it needs to be capitalized. But we don't get into physical infrastructure building in any case. So, if the contract is of shifting their current working operations and we do not have to invest in anything to build something, then automatically it will not be there. But if it is there, and that's why Sapnesh paraphrased it by saying that this is a unique contract, our typical contract does not have this. In fact, I wouldn't think of this in any of the other 45.

Ashish Kacholia: Got it. And anything you can share about the large deal pipeline?

Vijay Thadani: Yes.

Sapnesh Lalla: So, we currently have two large deals in contracting, and we have a few others in pipeline. And we should be making announcements on those as we move forward.

Ashish Kacholia: Okay. And overall, are you seeing increase in the number of tenders coming into the market or that is still tepid?

Vijay Thadani: No. Like I pointed out, this past year, we have done more deals than we have ever done before. We also participated in more deals. And I see a stronger velocity on a go-forward basis as well.

Moderator: Thank you. The next question is from the line of Rahul Jain from Emkay Global. Please go ahead.

Rahul Jain: Congratulation to the management on achieving the deal. And my first question is to Sapnesh. How your strategy takes shape now as you all of a sudden see a significant availability of financial strength to drive this business segment? Does your own internal aspiration to step up growth in these segments was up significantly now?

Sapnesh Lalla: So, yes, you get it right, it does. I think we have always had the ambition. Now we also have the ammunition to fuel the ambition. So, from an overall perspective, we have built a strategic plan, an ambitious strategic plan for the next three years, and we typically do that in our Q4. But I think this liquidity event will add to the ambition in that strategic plan. And as Vijay pointed out, the Board has appointed a committee who will be reviewing this strategic plan. And along with the committee, we will create an updated plan, which will include investments so that we can accelerate growth, both using organic and inorganic initiatives.

Rahul Jain: Right. So, what kind of participant would make this list of committees who decide or advise on this strategic investment plan?

Vijay Thadani: I think that's a very good question. I think participants will include not just top leaders and a few Board members, but also, I have advisers who are external such as thought leaders or leaders in the learning outsourcing space. Our goal would be to get a strong outside-in view, look at the overall picture and the picture that we see from outside to what our vision is.

Rahul Jain: Right. And so is there an independent ratio or anything like that in this committee?

Vijay Thadani: Yes, I don't think we are looking necessarily to figure out ratios, but we are really looking at bringing people into this committee who can create or help us build strong point of view on defining where NIIT should be on a go-forward basis.

Rahul Jain: Right. And on this the RECO investment, how much have we spent so far and how do we expect this deal to start contributing in terms of ramp up of the deal or how the profitability of the project would trend over the year. Will it begin from or more richer in later years?

Sapnesh Lalla: So, we have had capex spend of about CAD 7.5 million on content development. And as I pointed out, we are going to start the work in terms of generating revenue in our second quarter. We will get a little bit of second quarter, like I pointed out. But from a go-forward basis, our enrollments will tell really the revenue velocity.

Vijay Thadani: But you can maybe share with him what is the run rate since they are the only authority, which is....

Sapnesh Lalla: Yes, maybe I should point that out. I think converted into revenue numbers, the current run rate of enrollments at steady state should generate about $15 million of revenue for us on a yearly steady-state business. It will take us a few months to get to the yearly steady state, but I think that's the steady-state revenue that we should expect.

Vijay Thadani: And again, the real estate market in Ontario has grown and so have the number of certified real estate professionals on a year-on-year basis since 2015. So, the bottom falls out, there is good likelihood for it to stay at a growth curve.

Rahul Jain: Right. So, sir, just to reassure that at least from an exit quarter basis, we should ideally achieve this quarterly run rate of close to CAD 3.5 million? And secondly...

Vijay Thadani: I don't think that's what I said. I think it will take a few months for the revenue to hit run rate. I don't think it's right to expect that exiting Q2 you will hit that. But I think it will take a few months to get to the expected run rate.

Sapnesh Lalla: Well, actually Q2, you will see very little revenue because...

Vijay Thadani: Because we are starting…

Sapnesh Lalla: By the time the core starts and it wouldn't start consuming, it will be well past the halfway mark of the second quarter also.

Rahul Jain: Right. Actually, I may have heard you, but I don't know what I sounded.

Sapnesh Lalla: You meant imports; did you mean exiting the year?

Rahul Jain: Yes, exiting the year.

Vijay Thadani: Okay. Then I heard you wrong. I think you are right in that assessment then.

Rahul Jain: Okay. And from a school business perspective, now what is the way one should read it since we are out on a business view, didn't wanted to pursue. So, from an annual perspective or maybe a three year perspective, how the things look like? What would drive the growth if we are expecting that to happen, how the seasonality will change, given the current mix? And how the profitability should shape up, because the mix is very different now?

Vijay Thadani: Yes. I think as I pointed out a couple of things about the Schools business in the past, and I will try to reiterate those before I complete the answer to your question. What I have said is, A, there is still continued uncertainty in the regulatory environment on which board, which curriculum and what role NCERT has in school curriculum and school content that students consume. I think the second thing that I have said is the Schools business constitute about 3% to 4% of NIIT's business. That having been said, like I said earlier, the go forward business grew in double digit in Q4 and we feel that the business, in spite of our cautious approach to investment in that business, has prospects to grow.

Ashish Kacholia: Thank you. The next question is from the line of Harjit Sethi from Almondz Global Securities. Please go ahead.

Harjit Singh Sethi: Since the legacy loss making businesses are all almost over and we are now funded very well with cash, what sort of targets are we setting for the enterprise for next two to three years? Where would we like to? Earlier, I remember Pat had given some targets, but somehow everything went aside. But now we have plenty of cash and loss making businesses are almost over. So, what is our target for the team or the aim of the management to reach in three years' time as far as top line is concerned and for taking up business or sort of ROCE we are looking at?

Vijay Thadani: Yes. I think there are a few things that we have already articulated. One, our ambition in our Corporate business is to be in the top three or four globally. As I have mentioned, we compete in the Corporate business with the likes of IBM, Accenture, Raytheon, Conduent, General Physics and so on and so forth. So, we are as is part of an elite 6 in the world and our goal is to get to the top three or four in that elite six. And that means that we will be ahead of brands such as IBM or Accenture or Raytheon and so on and so forth...

Sapnesh Lalla: To some extent, in terms of growth rates, we have already achieved significantly higher growth rates compared to some of our competitors. But given their current size, it is going to take us a bit to get there. But our ambition is being in the top four from where we are at #6. So, I think that's a clear ambition. Second, I would say, our Skills and Career business has identified opportunities where we can significantly grow. StackRoute is one such opportunity, and we expect to achieve significant growth rates on both StackRoute as well as Talent Pipeline as a Service opportunity. Both of these are growing at a rapid pace, and our goal would be to accelerate that rate significantly.

Harjit Singh Sethi: Right. But your number, where do we want to be in three years' time as far as revenues are concerned? And while we are deploying this money, which is now with us, earlier a lot of our capital was blocked into the equity of NIIT Technologies. And hence we had a reason not to have a high ROCE. But now it's all cash, and cash necessarily needs to be deployed in businesses which can generate a good amount of cash for the shareholders. So, what is the thought process with the top management team?

Vijay Thadani: So, I won't put words or say ahead of time what our committee is going to recommend. But that having been said, I think like I pointed earlier, an acceleration in growth rates of CLG will get it at growth rates in the 20s over time. And I think if you stay that path, that business will start doubling every three to four years.

Moderator: Thank you. The next question is from the line of Ashish Agrawal from Elara Capital. Please go ahead.

Ashish Agrawal: Yes, sir. Sir, can you please quantify the impact of government projects on the EBITDA with school business? And the second question is what is FCF for FY19?

Vijay Thadani: Sorry, your question was not very clear.

Ashish Agrawal: Can you please quantify the impact of government project on our school EBITDA for Q4? And what is the FCF for the FY19, full year?

Vijay Thadani: There is no revenue from government projects in Q4 in schools. We completed all the school projects last year. However, we still have collection activity to do. We still have some transition expenses, which are still being incurred and the activity is coming down. So, I would say that is strictly nominal now. It was pretty high a couple of quarters ago, but I think it has come down fairly substantially. Sorry, what was the second part of your question?

Moderator: Thank you. The next question is from the line of Saurabh Ginodia from Stewart & Mackertich. Please go ahead.

Saurabh Ginodia: Congratulation for the deal. I had a question on this cash utilization. You have mentioned that we have formed a committee, which will look after for the utilization of cash. Will the committee have any internal time line in mindset within which if we are not able to utilize the cash, then probably will it be giving back to the shareholders?

Vijay Thadani: Yes. I think, first of all, the committee has a time line and a mandate of a time line to submit this report before announcement of quarter one result. So, that's one. Second, quarter one results will be audited to also look at what are the various eligibility parameters for us to be able to distribute cash wherever applicable. And number three, the ability to distribute cash, obviously, will be dependent on availability of cash and I think enough to say that the Board is quite inclined to reward the shareholders handsomely.

Moderator: Thank you. The next question is from the line of Shradha Agrawal from Asian Market Securities. Please go ahead.

Shradha Agrawal: Congratulations on closing the deal. Firstly, I wanted to check, would the deployment of cash, I mean, would that be announced before Q1 results or would that be announced along with 1Q results?

Vijay Thadani: So, one part of distribution of cash you just heard, which was, of course, a very small amount, which is the dividend that we just declared. And the next announcement, I guess, will happen along with quarter one results.

Shradha Agrawal: Okay. And Sapnesh, this is for you. Amongst the three business lines, which we have, which business line would you think would you want to deploy cash in? And on our M&A activity now, are we more aggressive on the M&A front? And if yes, what kind of target companies would we be looking at and what deal value we would be comfortable in? What is the revenue of the target company? Any broad indications if we are more aggressive on the M&A front?

Sapnesh Lalla: So, let me start with your first question first. I think from an overall perspective, like I mentioned, we have a cautious view on investment as far as our Schools business is concerned, given the uncertainty from a regulatory perspective. We have also identified significant opportunities for acceleration in our Corporate business as well as in our Skills and Career business. So, given that, I think the priorities would be with the corporate business as well as the Skills and Career business. More specifically, with respect to identified areas of growth, I think in terms of identified areas, the Corporate business has identified intersections of markets as well as capabilities where we would like to invest so that we can achieve acceleration. And on the Skills and Career business, I think we are going to stay focused on IT and BFSI as key verticals to address and immersive learning solutions as route. So, having said that, the investments are going to be both on organic and inorganic initiatives that enable us to achieve, like I said, intersections of market and capability on one side and acceleration in identified markets.

Your second question, I think, was around what kind of companies we might look at as we look at M&A activity. I think it's a little bit premature, but what I would say is the rules we follow are being judicious in ensuring that we are able to achieve a return within a reasonably short period of time and not go all in on a deal. We are fairly judicious in our approach. So, I would say we would look at mid-size targets rather than huge or very small targets.

Shradha Agrawal: Great. And not unrelated totally, but any complementary business line, which is completely new to what we are doing already, would that be one thing which you'd want to explore through this cash, which we have got from the deal?

Sapnesh Lalla: Yes. I think the feedback that we have received from all the communities that we served, they ask us to stay focused, and I think that's where we are going to be. So, we are going to stay focused in our approach. We have seen success, as I mentioned earlier, in our Corporate business, we are seeing success in some of the initiatives that we have launched. And so we are going to stay focused rather than get too diversified.

Vijay Thadani: And in both of those areas, we have a clear opportunity.

Sapnesh Lalla: Right.

Vijay Thadani: In Skills and Careers business in India, we have been market leaders from inception. And even though the business did go through a bad period, I think from now onwards, the trajectory is clear to them and the growth opportunities are very, very clear and identified and proven. On the Corporate Learning Group, I think the opportunities base is indeed very, very strong, given that we are #6 in the world, given that only 20% of our target segment has used learning outsourcing as a service. And therefore, NIIT is very, very uniquely positioned. And I think those are two large opportunities in front of us, we would like to remain focused.

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

Kaushik Poddar: We just talked about some regulatory hurdle regarding the School business. What is that regulatory hurdle you are alluding to?

Sapnesh Lalla: Yes. I think I have said this in the past, we have seen uncertainty in terms of what role NCERT and their curriculum and content has with respect to private schools. There at times is clarity. There's at times a reasonable amount of uncertainty. And that causes school administrators to defer and delay decisions, which creates uncertainty at least for our business.

Vijay Thadani: So, that's one side of it. The second, if you understand, government's approach to school education and now that government schools we are not addressing, that leaves us with private schools. Private schools' ability to modernize themselves with technology, private schools' initiatives to get into offering newer products and higher value products and services to their own students gets limited because in different parts of the country, different regulations come up. In some states, there was a regulation on capping the fee. Then there was a regulation about how you could perhaps work with providers of services and publishing content. So, stuff like that always create some kind of uncertainty as soon as some product… so we would like to be cautious still there is a higher degree of clarity. And as you know, the government has not yet declared its education policy, the revised education policy on which last two years, a lot of work has happened. Part of it has to do with schools. A large part has to do with higher education. But the schools part definitely, this clarity will help define. Now that the schools is only 3%-odd of our total business, I think it's important for us to remain focused on the other 97% and see that growth rate is looking after the needs of the organization.

Moderator: Thank you. The next question is from the line of Suresh Agrawal, an individual investor. Please go ahead.

Suresh Agarwal: Sir, being a long-term investor, actually we are not rewarded by investing in NIIT Limited actually. From last six to seven years, I have invested in the company but our share price has not appreciated, maybe your comment on this?

Vijay Thadani: I think we can add best comment on our performance, and I can quite understand that our fundamentals have been through a churn at different points of time, given the changes which take place in the economy. And our focus should be on improving our fundamentals, and we would love to get your advice as well as support and direction on how might we improve fundamentals. But for us to contribute to how the share price can be improved, I don't think we are well equipped. We can run our business more efficiently, obviously, with some ideas of our own and with some more ideas from you. And the result of that, I think, on the share price is something which the marketplace has to recognize.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question. I now hand the conference over to the management for closing comments.

Vijay Thadani: Anything from you, Sapnesh?

Sapnesh Lalla: No, thanks. I think I have said it.

Vijay Thadani: So, thank you very much. I once again want to thank each one of you giving us a precious time from a well-deserved rest that you needed on a Saturday afternoon. But thank you for giving us the time. We are available to you for any further questions as well as discussions as well as advice. In fact, I and Kapil went along and have been talking to everybody else and seeking advice as our committee is also working on its recommendations. And therefore, any piece of advice, which you would like to give will be extremely welcomed from all of you. I thank you and look forward to our interactions in future.

Moderator: Thank you. On behalf of NIIT Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.