"NIIT Limited Q2 FY21 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the NIIT Quarterly Results for the period ended 30th September 2020. 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 '*' and 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. First of all, thanks everyone, I know this is a busy results season for you to spend your time with us. We really appreciate that and we do hope we will have an interesting conversation. I also hope all of you and your families are staying safe and healthy. So the agenda for today's call is to discuss the NIIT Limited second quarter ending September 30th FY21 business performance.

I just want to start with the headline of the fact that the management team as you would notice in the results has demonstrated tremendous resilience by demonstrating strong execution capability, has improved its market position by the significant wins demonstrated strong operating efficiencies as visible in the margin and a stronger balance sheet as is visible in the way the working capital have been managed, so I am sure there will be more about this as we go forward, but in this call we would also discuss future directions and opportunities based on your questions and answers. As usual, we have the full management team with us, the whole leadership team, we have the Chairman, Mr. Rajendra Singh Pawar; the CEO, Sapnesh Lalla; the CFO, Mr. Sanjay Mal; our Head of Investor Relations, Mr. Kapil Saurabh as well as our other colleagues from Finance including Mr. Gaurav Relhan.

We will all be very happy to answer your questions on any of the subjects that you have and if there are any questions that remain unanswered, we will be happy to follow them up with mails and update of the transcript based on the questions that need to get answered. So with that, without further ado, I will hand you over to Sapnesh Lalla to carry this conversation forward.

Sapnesh Lalla: Thanks, Vijay and thanks everyone for joining this call. Please note the results of previous year, I have been restated for a like-to-like comparison in accordance with accounting standards, the net results, revenue minus expenses of assets held for sale as well as discontinued operations is reported as a separate line below the operating results. This includes the net results of the Schools business housed in our wholly-owned subsidiary Mind Champions Learning Systems which has been classified as the asset held for sale. With that out of the way, I wanted to make a few prepared comments on our business highlights.

In an environment that continues to be very uncertain, NIIT's response has been agile, decisive and the results are visible. Given the impact of COVID-19, we are emphasizing quarter-on-quarter performance as that I believe is more relevant to show that there is continuing recovery in business as well as the changing mix of revenue in favor of corporate learning group. The revenue stood at Rs. 2189 million, up 8% quarter-on-quarter, while the revenue was down 6% year-on-year, we have bucked the COVID-induced trend of decline that we noticed in the previous quarter. Meanwhile, EBITDA has started to improve sequentially in Q2 and the momentum continued in Q2. EBITDA stood at 344 million INR up 41% quarter-on-quarter and is up 18% Y-o-Y. EBITDA margin stood at 16% up 367 basis points from 12% in Q1 FY21 and up 322 basis points from 13% in Q2 last year.

As far as our corporate learning group is concerned, the sequential growth was led by the corporate group which constituted 89% of revenue in the second quarter. The revenue for the corporate business was INR 1941 million, up 9% Q-on-Q both in INR terms as well as in constant currency terms and up 12% year-on-year, up 5% year-on-year in constant currency terms. The EBITDA profit of the corporate learning stood at 398 million up 28% Q-o-Q versus 312 million in first quarter and up 47% year-on-year versus 271 million same period last year. The EBITDA margin stood at 20.5% versus 17% in Q1 FY21 and improvement of 303 basis points quarter-on-quarter and versus 16% in Q2 of FY20, that is same quarter last year, an improvement of almost 500 basis points of Q2 last year.

We are continuing to see momentum in new customer wins. In addition, some of our project customers who have experienced our services in the past have upgraded now to become managed training services customers. It is these new customers we acquired over the last 4 to 5 quarters that are enabling us to achieve growth, the corporate business saw continued traction in Q2 with new wins, expansions and renewals. The corporate business won two new managed training services customers in Q2, won large telecom company which was a project customer in the past, but now has upgraded to managed training services customer and one customer in the FMCG segment.

In addition, the corporate business had two expansions of business with customers and two customers renewed their contracts with us on a multiyear basis. This activity resulted in our visibility going to USD 259 million up 4% on a Y-o-Y basis, while the volume from our top customers in the corporate business continues to be challenged as the customers deal with the uncertainty in business environment, we continue to get applauded by our customers on our service delivery quality and our ability to adapt with the environment. In their partnership with us, they see NIIT as an organization that can help them become an adaptive learning organization, an organization that can help them pivot and respond to fast-changing business means. This service delivery effort and our DNA of innovation and that of keeping our customers at the center of all our efforts is inspiring our new customer acquisition efforts. This quarter also witnessed the digital transformation of the service delivery model for our large contract in Canada. To enable continued access to high quality real estate education and potential second career opportunities, we transitioned the service delivery model to a fully digital model. This enabled us to scale access to high quality education to meet the entries demand for our courses in our second quarter and that saw the second quarter revenue in this specific instance scale up in a substantial way. Overall, the margin for the corporate learning group was driven by growth, improvement in business mix to digital as well as strong actions on cost.

Our Skills & Career business in India has been transformed to a fully digital business. As India Inc. starts its effort to service the acceleration in digital transformation globally, NIIT StackRoute team is at the forefront in being a key enabler for this transformation. We are putting to use educational technologies that we have perfected for our global customers to use in India to accelerate the digital transformation of our Skills & Career business. The key initiatives in India including StackRoute and Talent Pipeline as a service have seen 77% sequential growth in Q2. We expect StackRoute and Talent Pipeline as a service business to remain on a positive Q-o-Q growth trajectory. Digital also is at the core of our career education business in India, we pivoted to a predominantly digital delivery model in April and have spent the last several months ensuring that we are able to deliver the outcomes, our students and their employer's expect from NIIT. I am happy to report that we have seen positive endorsements from our placement partners as well as our students off our mastery learning pedagogy when delivered digitally. Achieving the significant milestone has enabled us to start bootstrapping our career education business into a fast growth digital and tech business. We are on an accelerated learning curve for scaling our digital business especially on efficiencies pertaining to digital student acquisition. Revenue for Q2 was 247 million INR, up 6% quarter-on-quarter, while EBITDA stood at negative 54 million as compared to negative 68 million in Q1 this year.

Overall, we have continued to focus on driving higher efficiency and improved resource utilization with adoption of digital, we have been able to significantly lower expenses including requirement of real estate. This is also visible in reduction, in depreciation, which declined quarter-on-quarter to INR 136 million versus INR 161 million in the previous quarter. This creates space for scaling up investments in NIIT Digital going forward. We continued to believe that the demand for deep skilling and hiring of skilled professionals just in time is likely to remain important criteria especially as it pertains to digital skills as companies transform the need employees that are not only better trained, but more confident in their learning to maintain high productivity.

Our other income including interest and treasury income for Q2 was 171 million. In terms of balance sheet as Vijay pointed out, we lowered our working capital requirement DSO has improved further to 49 days at the end of Q2 versus 51 at the end of Q1. In terms of headcount, as I mentioned earlier, we are becoming more efficient. At the end of Q2, our headcount across NIIT stood at 2386 NIITians as compared with 2533 at the end of Q1. Going forward, we will continue to pursue growth across the key dimensions that we have focused on, first continued geo and capability expansion of our corporate business, both organically and inorganically, achieving leadership in our career education business in India and expanding access for our StackRoute and TPaaS programs. Those are the key growth drivers for us and we will continue to focus on them. Overall, as we continue to navigate the uncertainty of the business environment, I would like to put on record the great appreciation I have for each and every NIITian was gone above and beyond their call of duty to keep our customers first and innovate to convert this adversity into an opportunity. Thanks. Those were my prepared comments. I would now hand you back to Vijay to walk you through the utilization of proceeds from the divestment of NIIT Technology.

Vijay Thadani: Thanks, Sapnesh. We will open it for Q&A very quickly. I just want to respond to what Sapnesh wanted me to complete the briefing with. So over the above the numbers that I gave every quarter of how we have used the transaction proceed, the only number that I would like to add is that we did pay a dividend of Rs. 2 per share in September of 2020 which amounted to 283 million. With this, the amount that has been distributed in terms of rewarding shareholders including applicable taxes, 677.8 crores which represent 47.3% of the net cash available from the transaction of the payment of taxes and retiring net, etc. The balance amount of 755 crores excluding of course the indemnity reserve which has been kept for fulfilling obligations if any against the entire divestment transaction, I think that is amount which is being kept for deployment of which certain number of actions have already started.

We had two-part plan, one of rationalizing of the loss making businesses and in that the decision to divest the schools has already been taken. Of course, we would be advising you as soon as transaction is concluded. Similarly, the transition of the digital transformation of NIIT B2C business and its transition to a fully or predominantly digital format has also happened, though accelerated to a bit by the pandemic and there again the investments have already begun. The company is also examining inorganic opportunities very carefully, given many of the companies are also at this point of time challenge and therefore it will be extremely important to make judicious choices and we would keep our shareholders informed of the progress in these matters as and when transaction occurs. So I will stop the briefing here right now and open the floor for Q&A and we will all be very happy to participate in any discussions. Thank you.

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 Shradha from Asian Market Securities. Please go ahead.

Shradha: On the corporate learning segment, how do you see the growth trajectory panning out for the next quarters and going into FY22 as well?

Sapnesh Lalla: I think that is a great question. The way I would say it is like I mentioned earlier, there is continued business uncertainty and that business uncertainty is not limited to just us, it carries forward to our customers as well and that is the reason why I mentioned that number of existing customers have lowered their consumption of training because their HR organizations are distracted with many things related to COVID, so our existing customers, their volumes are down, however, the significant acceleration we have seen and velocity we have seen in our new business development activity, specifically over the last 4-5 quarters and as we have seen that activity continue into this past quarter and continuing into this quarter and given the strong pipeline of deals we have, I feel we will continue to see reasonable growth and I think the corporate business is on a good standing and will continue to be so.

Shradha: Earlier, we used to guide to growth rate of 12-14% in CLG, so do you think that is a reasonable expectation given the current uncertain environment, but given reasonable client addition for us in the last few quarters, is that the number which you can work with for next year?

Sapnesh Lalla: Yes, I think what I can say is, if I look at our Q3, I feel our Q3 is likely to be similar to Q2 and as we continue to move with our business development actions Q4 might be similar to Q3 as well, so I feel that we will be at the rate at which we currently are which will result into some amount of growth for the year. I think again, there are two dimensions of growth possible as we look at next year and really when we look at next year, my focus would be on post-COVID timeframe assuming that vaccine would have done whatever it is supposed to do, but as we come out of the COVID time, I feel growth will get accelerated on two dimensions, one on existing customers who had subdued volumes will start consuming more training as they start focusing on growing their businesses and second, the ramp up we have seen in the new customers that we have acquired will also show into growth, so we are likely to have growth on two dimensions, then exactly post-COVID era starts is uncertain, but as soon as it does, I think our business will start growing on these two dimensions.

Shradha: Sapnesh, how do you see this margin of 20%, I mean these are the cost margins is down, so do you think this is sustainable and when this work from home situation normalizes, how much of that would be pulled back, so any comment on the margins?

Sapnesh Lalla: I think as you guess there are parts of this margin that might not be sustainable specifically as work from home situation changes or the travel situation changes, but I think one of the key drivers for margin improvement is the adoption of digital. We don't have to send trainers on planes to different cities and countries to deliver training, we are now doing all of that digitally and it is very convenient for our customers because our customers don't have to send their people to different cities or different places for training, so as the digital behavior sets in, I feel that some of that digital behavior will turn into convenience and will stick, where the 100% of it will stick or not the jury is out for that, but I think some of it will stick because indeed if you were to ask anyone, do they miscommuting**,** I don't think you will get anyone who says they are miscommuting, so I think some of it will stay and some of it might go away. Exactly, how much of it will stay, I think depends on two things, one, how much we are able to innovate and make the digital experience as good if not better than the physical experience and that is something that we are investing in and I feel fairly confident that over the next few quarters, our digital experience will actually end up beating our physical experience in terms of how our student consumes training. In terms of people going back to their old habits, I think some of them will because they just feel more comfortable that way, so long answer to your short question, I think some of the savings are sustainable.

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

Rahul Jain: I have a similar question to ask on the profitability, of course you have given some clue, but what we need to understand is, what is your view on some of these behaviors, the one interesting point that you raised out here is that what if we make the experience equally good or even superior in terms of how we are delivering this and how consumer is consuming this. If that changes, then probably a good part of it can still stay the way it is as some of the other things will, so what is your estimate to this situation where it may end because it is a convenient option for everyone as you said?

Sapnesh Lalla: I would hit to make guesses on this call, but like I pointed out I think some of the savings, may be a large percentage of savings will stick, some of it will go away because from an overall perspective at some point in time, travel will start, at some point in time, people will get sick of zoom calls and would to meet each other, so I think it is normal to expect some of the physical contact to start, what is exactly in store for us, my guess is as good as yours, so it is for that.

Rahul Jain: And on CLG customers, who could not scale up yet, what are the challenges out there, what are their reasons for not going, is it their own priorities are still at some other times right now compared to training or is it lack of adoption to digital medium is the barrier right now and what you are doing and what can happen there from these two chains?

Sapnesh Lalla: Like I said, the uncertainty in the business environment is not limited to us, it pervades to our customers. Several of our customers initially were trying to figure out how to get their large employee base to get to work from home situation and then now they are starting to think about how to get them back to work. In all of these as well as uncertainty caused by business, sometimes training falls on the way side, what I would point out here and that is something that is unique about our customers is that a large percentage of our customers are in the regulated business, for example, customers in energy or in banks, insurance companies and such where they have to do training, they cannot avoid to do training whether COVID or no COVID, so that is the reason why we are able to see some continued consumption of training and while consumption is lower, there is consumption of training. As the situation gets better, I do expect the consumption of training to become substantially higher than what it is today.

Rahul Jain: As you say, some of them are regulated and needs to go for this, but are still behind their quota, probably the number of our unit will log in, so does that mean it will have a pent-up reaction in the near future?

Sapnesh Lalla: I thought to tell, like I mentioned regulatory training, you have to do, you cannot avoid that, you might be able to get a waiver for a month or so, but you cannot avoid doing regulatory training, so that is currently going on. It is the special initiative, the new initiatives that sometimes are prioritized over other pricing issues that the HR organization might have and I think to some sense, that may lead to a little bit of a pent-up demand, but a lot of it also depends on how much money an organization is able to spend on training. There are number of our customers who are very progressive from the point of view of training, they look at training as an investment and are able to continue to spend even though the business environment is tough, but that I would say about 25-30%.

Rahul Jain: And if I can ask one more, on the Skills & Career side, what is the status of some of the rationalization we might be undergoing in the B2C part? What more is less when we are downgrade and when we think we will sort of breakeven to profit situation in this segment?

Sapnesh Lalla: Like I pointed out, we have pivoted to a fully digital model and our Skills & Career business we have achieved significant rationalization and that is the commentary I provided with respect to our real estate. I think this business, both from consumer perspective as well as B2B perspective is now a digital business and I should see growth as such.

Rahul Jain: So you mean to say whatever is less of now should continue to grow and what was to be so called disrupted is already disrupted, is that the conclusion?

Sapnesh Lalla: Predominantly, yes.

Rahul Jain: So from a revenue to cost basis, how much of this cost are still overlapping because some of the things we may be still kind of existing and are incurring right now, but may not happen in future?

Sapnesh Lalla: Like I pointed out, what had to be rationalized has been rationalized and going forward, what you will see is investments, there are some costs where we have to maintain some of the whole software given the long-term nature of some of our programs, but predominantly what needed to be rationalized has been rationalized and what you will see going forward is to a fair extent the investments we make in product development as well as the digital platform and the digital customer acquisition side of things.

Moderator: Thank you. The next question is from the line Suhas Naik from Kredant Capital. Please go ahead.

Suhas Naik: I have got couple of questions. One is on the corporate learning group, can you give us some perspective about how large is the opportunity and the potential of this business if I want to stay say 3 years down the line where we can see ourselves? And second question is on the inorganic side, you made a mention of that, do we think this is the right up time to move for that as the environment is still subdued and you might get a good opportunity and what is our strategy on the inorganic growth side?

Sapnesh Lalla: Sure, I think your first question, if I understood right was what is the headroom that is available for the corporate?

Suhas Naik: Yes, is there a feeling here somewhere or do you see the feeling is still far off?

Sapnesh Lalla: There is probably a feeling**,** but at least I can't see it. It is way into the stratosphere, I say this not in just one, the overall spend just in the United States on training is over a $100 billion, overall based on different sets of numbers, companies, corporates who are in our prospect base spend between $200 and $400 billion each year. So the feeling is like I said the way beyond where we are and the second thing I would say is, less than 25% of the Fortune 1000 companies have outsourced learning and development in any significant way, so there is significant road to travel. I think the second thing I would say is that from a competition perspective, we compete predominantly with large outsources like IBM, Accenture, Conduent, Raytheon and so on and so forth for whom learning and development is not the prime business. If they lost a learning and development deal, heaven is not going to fall down, but that is the only thing we do and if there was any innovation we do, that is what we do it for, so I think we have a great opportunity to have a continued growth run for a fair period of time.

Suhas Naik: What kind of growth rate in the normalized scenario, forgetting COVID for the time being, what kind of organic growth scenario one can look at, 25 to 30% if possible?

Sapnesh Lalla: I think while you said, forgetting COVID, but that is something that is hard to forget especially now.

Suhas Naik: We are hoping that we will get a vaccine campaign early next year, assuming that?

Sapnesh Lalla: If you look back, we were doing mid-teens to slightly above teens, I think we can go beyond that as we get towards normal times.

Suhas Naik: And what kind of investments are we making on the sales front actually to get into newer clients or mining the existing plants, what kind of investments we are making there and what are the plans there?

Sapnesh Lalla: We continue to overinvest in sales and marketing and business development, that is really what has kept us in good state, like I pointed out existing customers have reduced the consumption of training, but it is the new customers that we acquired over the last 4 quarters who have helped us achieve some level of growth in the corporate business and we will continue to overinvest in sales, that is the strategy that has paid us well and we will continue to execute on that.

Suhas Naik: About the second question, sir?

Sapnesh Lalla: Yes, your second question I think was on our inorganic strategy, I think Vijay alluded to it in his opening comments. We are continuing to look at opportunities. The uncertainty is not limited to us like I pointed out earlier, it perverts to them as well, so it is hard at times to value companies given this uncertainty, but like you pointed out there might be good deals also, so we are continuing to do an outreach and we are continuing to talk to organizations and that will complement us both from a capability as well as geography perspective and once we have something to talk about that is material, we will of course come back to you.

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

Jay Daniel: Sir, I just wanted to clarify, you said the trend in corporate training revenues for the third quarter and fourth quarter will be similar to second quarter, so that is in terms of growth rate or absolute value?

Sapnesh Lalla: That is in terms of absolute value.

Jay Daniel: So what we have done in Q2 will get replicated in Q3 and Q4 that is what you are saying?

Sapnesh Lalla: To a great extent, we might see a little bit of bump up given the new customers that we have acquired, so we will see some amount of quarter-on-quarter bump up. I think your question was with respect to revenue, correct?

Jay Daniel: Right, in terms of revenues because margins I don't think you will be able to improve from here on? Would it be possible, if you are already 20%?

Sapnesh Lalla: It will be hard enough to keep them there. I am not sure we will be able to keep them where they are today, but I think we will be, it is really a product mix question in terms of margin, I think this past quarter, we saw very favorable product mix, I can't foresee that returning in the current quarter, but it is, so we will see margins somewhere move up and down a little bit more down, then up compared to this current quarter.

Jay Daniel: And a little bit of few book keeping questions, amortization of costs material included in depreciation, how was this trended in this quarter, your depreciation is down, but what part of it is amortization?

Sapnesh Lalla: The large part of depreciation that is down is because of giving up of lease to real estate rather than the capitalization.

Vijay Thadani: That is the impact of AS 116.

Jay Daniel: And StackRoute and TPaaS is round about 40% of Skills & Careers, right?

Sapnesh Lalla: Yes, approximately.

Jay Daniel: And this has grown?

Sapnesh Lalla: Yes, it has grown significantly quarter-on-quarter, I think greater than 70% quarter-on-quarter.

Jay Daniel: That means the other part of the business has completely collapsed?

Sapnesh Lalla: Yes, think about it, our education centers are not admitting students.

Jay Daniel: So, now what percentage of revenues is it because last quarter it was 40%, StackRoute and Talent Pipleline as a service, what percentage is it?

Sapnesh Lalla: It is about 47%.

Jay Daniel: It is about 47% and it is growing at around 70%, right?

Vijay Thadani: Jay, let me explain, last quarter, there was a deep impact of lockdown that we have talked about. The recruitment had also come to a standstill and both these initiatives work on new employees hired by our partner organization, so therefore there was a sharp decline, but this quarter, since some recruitment has resumed and has picked up, you are seeing a sharp recovery from where it was in quarter 1. We expect further improvement and we are seeing a good pipeline of work and departments coming up from our partner side.

Jay Daniel: And if I were to look at your current cost structure in Skills & Careers, what would be the breakeven for the sales?

Vijay Thadani: Again, there are many parts to this business. I think we will have to look at breakeven individually. I think as Sapnesh pointed out earlier Jay that there are moving parts within this, there is a cost run rate for the existing digital capacity that is coming down which is the fixed cost getting going out and you have seen some impact this quarter and some I think there is a tail remaining. Then, there are investments in building up our online digital business, so I think we will have to create a balance between the two, so it is not, this question is on breakeven point, etc., are more relevant for a business which is stable in terms of mix, etc., and given the volatility, I think this business has high gross margin and we are reducing fixed cost, but there is a business that has just started out and would need investments, so I hope that gives you some color on this.

Jay Daniel: And you say net cash is 755 crores now?

Sapnesh Lalla: We didn't say that net cash is 755 crores. As just Vijay explaining that out of the transaction proceed after paying off the debt, the cost of the transaction and the cash applicable on the transaction and net off the indemnity reserve that we have created or the board advised us to create as a measure of prudence, we have that cash on our books and we don't expect material indemnity payouts, but again as we said that is a prudent measure. There is indemnity for a certain period that we have to, so we have ring-fenced up. Out of that, cash which is available which is 1400 odd crores, 755 crores is what is remaining after paying what dividend and buyback that we have already completed since the closing of the transaction. The cash on the book or net cash on the book is 1200 crores and some change, Rs. 12,117 million.

Jay Daniel: Your School Business, any development there, I mean have you received any offers or where are we on..?

Sapnesh Lalla: We will discuss that with you when we have something to announce.

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

Rahul Jain: On the CLG business, during the quarter our revenue visibility has gone down and relatively a client addition the way we have been adding in the past relatively has been little softer, call it softer because the renewal and expansion. So basically some color in terms of what exactly could take us to the next level or this is more we are on the path where it is a gradual thing or there will be a significant step to be taken given that we talk about a much bigger opportunities versus where we are today, so what are those requirement and how we could move this numbers to a different trajectory, it has already happened over last 4-5 quarters wherein all numbers have moved meaningfully, but what if you have to take it to next level?

Sapnesh Lalla: First thing I would do is, let you know that this past quarter has not been a soft quarter, it has actually been a significant quarter in the point of view of new customer acquisition. Like I pointed out, we added two new MTS customers, we renewed two contracts and we expanded our business with two customers, so it has been among strong quarters. I do see the point that you made where you said that sequentially our visibility has gone down the fraction. That is really because like I pointed out earlier, volumes of training consumed by several of our large customers have come down temporarily and that has resulted into a markdown visibility with respect to several of our customers. I feel this is a temporary phenomenon and as soon as we get out of the sector of COVID, we will see our existing customers performing or consuming a lot more training than they are today and we will see a markup or reversal of this markdown, so the fractional amount by which the visibility has gone down by is predominantly because of the markdown because of the consumption by some of our existing customers. Again, I would reiterate that the new business acquisition performance has been strong. With respect to what should we do to make it better, I think like I pointed out, we are continuing to overinvest in sales and business development and we will continue to do that.

Rahul Jain: Sorry for prodding too much into that, but as you said there is some markdown because probably the way we would have found earlier, they are not falling on that path and that is where probably this markdown, but we also expect some pent up, so is it that press contract would have that element and that is why you have to markdown these for now and then the newly found once you would have those extra mark up, is that how it works?

Sapnesh Lalla: No, it is purely run rate oriented, like I pointed out when some of the run rate customers they start consuming less being prudent in how we project our numbers, we take a markdown and as the run rate starts going back up, we will bring it back to where it was.

Moderator: Thank you. The next question is from the line of Suhas Naik from Kredant Capital. Please go ahead.

Suhas Naik: I want to ask about the Schools Business, where we are losing significant amount there at the operating level, so even if you start that reading you could add substantially to your operating profitability, so when you think you are likely to sell those, that part of the business?

Sapnesh Lalla: I would say two things. One, in our numbers you see that business has a separate line item which is below the line which shows as the business asset held for sale or discontinue the business, so that is the business that shows up as a different line item under all the finances. In terms of timing, like I said to the earlier person, we will let you know as soon as we have something material to report.

Kapil Saurabh: That business is also a seasonal business. That business again given that this is an asset held for sale I do not want to spend too much time on it, but that is the seasonal business and we can discuss offline as to what that is.

Moderator: Thank you. Next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Either on the CAPEX or investment side on the organic front, if you could give us given any estimate in terms of what would be the CAPEX expectation on the CLG business and do we see the mind of investing some meaningful amount in the S&C business since the business had shifted from different model to a digital model, does that entail a different level of investment, we now bring it back to a scale where it was over may be next couple of years?

Sapnesh Lalla: We are looking at making investments in the digital business. Overall, our CAPEX is likely to be in the 50 crores range for the year.

Rahul Jain: This is for current fiscal and how much of this would be towards content creation towards CLG or any outlook there?

Sapnesh Lalla: We don't split it out, we provide overall CAPEX.

Rahul Jain: This run rate should moreover be the steady state run rate for us for the current set of business we have?

Sapnesh Lalla: That is right. It may go up a little bit as we go into next year depending on the number of products we want to build.

Rahul Jain: So outside of some repo kind of preposition, this should be moreover in this range?

Sapnesh Lalla: That is correct.

Moderator: Thank you. Next question is from the line of Suhas Naik from Kredant Capital. Please go ahead.

Suhas Naik: You never mentioned on India corporate learning side, where you are coming to invest in, can you give us some idea about, is it a different market than the one outside India or what kind of opportunity we are seeing here and is it a profitable?

Sapnesh Lalla: I don't think I talked about India corporate business and any investments related to the India corporate business, we have a corporate business.

Suhas Naik: I heard it is India corporate.

Sapnesh Lalla: Sorry about that.

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

Vijay Thadani: Thank you very much for giving us your time one more time. Your questions as usual are big as go back and think and refine our strategy and once again, today it was a very lively discussion. Thank you very much for all the questions you asked and for very thought provoking suggestions about those questions had built in. I am sure there will be followup questions that each of you may have, so you can always reach out to us through Mr. Kapil Saurabh, who heads investor relations or write us an email and we will be happy to respond to that. So with that, I thank you once again for joining this session and look forward to your continued guidance and cooperation. All the best.

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