"NIIT Limited Q3 FY20 Earnings Conference Call"

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MANAGEMENT: MR. VIJAY THADANI – MANAGING DIRECTOR & VICE CHAIRMAN
MR. SAPNESH LALLA – CEO
AMIT ROY - CFO
MR KAPIL SAURABH – M&A AND INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY20 Earnings Conference Call of NIIT Limited. As a reminder, all participants' 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 & Vice Chairman of NIIT Limited. Thank you and over to you, sir.

Vijay K. Thadani: Thank you. Good afternoon. Thank you very much for joining this call. It is a busy time for everyone. We appreciate the fact that you have joined us. I have the whole NIIT leadership team, led by Sapnesh as well as my colleagues, on the board Mr. Rajendran and Mr. Pawar who is the Chairman of the company.

What we are here to discuss is the results of Q3. As usual, we will follow the format of a brief overview of the results and some of the highlights by our CEO -- Sapnesh Lalla, I will talk a little bit about some of the updates on the buyback as well as updates from other issues that we were pursuing, and after that we will open it for Q&A.

So, with that I hand you over to Sapnesh.

Sapnesh Lalla: Thank you, Vijay and thanks, everyone for joining. Please note that as always this analysis here is on a year-on-year basis, also in accordance with the accounting standards, the net impact, revenue minus expense from discontinued operations is reported under profit and loss from discontinued operations. The previous quarter's results have also been restated for a like-to-like comparison. With that disclosure out of the way, from an overall perspective, NIIT business grew 10% on year-on-year basis and the revenue stood at Rs.2,476 million and that was up 5% on a quarter-on-quarter basis as well. The growth was led by the performance with the corporate group. The EBITDA stood at 246 million, the EBITDA margin is at 10%. The profit after tax is at 271 million, up 40% year-on-year. The earnings per share is up 65% at Rs.1.9.

Overall, from a business perspective, it was like I mentioned earlier a strong quarter for a corporate group. They added two new managed training services customers, expanded their work with two customers and renewed two contracts which were multi-million dollar contracts renewed for multiple years. The revenue visibility for the corporate group stood at 265 million, it is up 4% on a year-on-year basis.

In our Skills & Careers business, the two key areas of focus which is talent pipeline as a service as well as StackRoute combined showed double-digit growth as well. As I guided earlier about our corporate business, there is strong growth momentum after a brief set of quarters where the growth was little subdued. The work that the group has done over the last few quarters in terms of customer acquisition and exceptional delivery performance has resulted into strong 17% year-on-year growth, the growth was 18% in constant currency terms. The revenue in the corporate group stood at Rs.1,895 million and as I mentioned it was up 18% in constant currency terms.

One of the key projects that we have been executing, specifically the project in Canada, we had the first full quarter of delivery for this project. The enrollments and the interest in what we teach is in line with our expectations, and we expect that as the next couple of quarters move forward, we will see growth in both the interest as well as enrollments into this program.

Revenue from new customers that the corporate group signed up over the last few quarters has kicked in this quarter and to a great extent, that has led to the group's growth in the past quarter for the corporate group. The corporate group continues to attract strong global customers, customers who are leaders in their respective businesses. As I mentioned earlier, this past quarter, we attracted two new managed training services customers; one a leader in the insurance space in the United States; and other, a very large developmental organization.

For the year, now we have added nine new managed training services customers as compared to having added four up to this period last year. So, in the first nine months of this year, we have added nine new managed training services customers, and that compares with four that we had added in the first nine months of the previous year.

The revenue visibility is at 265 million. The EBITDA for the business is at 294 million, that is up 26% YoY and 9% on QoQ basis. The EBITDA margin is at 16%, and that is up 102 basis points compared to the same quarter last year.

The amortization of intangibles for our Canada project that I touched upon earlier, has resulted in an increase in depreciation. As you would expect, while we amortize the intangibles on a straight line basis over the contract period, the revenue and margin build up over the first three to four quarters of the project going live. And as I mentioned earlier, we have completed the first full quarter of this project.

For our Skills & Careers business, Q3 is a seasonally weak quarter. Revenue for this business stood at 544 million as compared to 611 million in Q3 last year. As stated in the past, we continue to rationalize our product offerings in line with our stated goal of moderating our exposure to low margin and high CAPEX projects. Our EBITDA stood at 6 million, reflecting the low revenue run rate in this quarter. The two key growth initiatives for our Skills & Careers business -- Talent Pipeline as a Service and StackRoute, together, grew at 11% in Q3.

Overall, as you might expect, NIIT has a strong balance sheet. We had strong cash flows during the quarter, driven by strong collections, and the DSO days improved to 66 days compared to 77 days same time last year.

I would now request Vijay to provide a quick update on some of the corporate actions during this past quarter.

Vijay K. Thadani: So I just wanted to give a brief update on the buyback process. As you all know that the buyback price was set at Rs.125 per share and the total amount of buyback was 3,350 million which excludes tax and costs associated with that. Number of shares were 26.8 million, reflecting about 16% of equity. The total number of bids that we received were 59.5 million. So the subscription was 259.45% to the issue. Subscription to the smaller shareholders was 157% of entitlement and to general category, excluding promoters was 400% of the entitlement. Promoter holding in this process, given that founder subscription was only 53% of minimum entitlement has increased from 31.39% to 34.35%.

So overall, I think second step of our process after commencement of the special committee that the board had set up for these three purposes:;one was to reward shareholders; #2 was to look at rationalization and simplification of the businesses; and #3 was deployment of growth capital. We have seen actions on all three and therefore, in Sapnesh's presentation further he would also talk about what are the plans for deployment of growth capital which is approximately on same line as before. A detailed update we will be able to provide in the coming few weeks.

So we will pause here right now and open the floor for questions which I am sure there will be many.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Amit Varma from First Trade Securities. Please go ahead.

Amit Varma: My question is on the S&C go forward business. What exactly constitutes go forward in this business for you? And when we are calling it go forward, why exactly is it growing at such low levels which I think is below general industry growth?

Vijay K. Thadani: Thanks for your question. I think it is an important question. First, the go forward business does not constitute some of the high CAPEX business that we were doing prominently in the Skills segment. It also does not include some of the low margin products that we had which were around providing management education. So those are the couple of product lines that we have discontinued from our go forward business. The go forward business has grown at a substantial pace in the past. This quarter we saw a temporary hiccup specifically with respect to our high end IT programs under StackRoute. We feel that these are temporary and we have gone past them and these programs will start showing substantial growth. These programs are offered predominantly on a B2B basis and there are times when organizations choose to defer a few batches and that is really the temporary cause of reduction in growth. We expect that go forward business to continue on its upward trend.

Amit Varma: I have been tracking some of these new tech companies in India, like Simplilearn and upGrad, etc., which seem to be growing extremely well and would eventually be competing with your S&C somewhere or the other. Now do you think for the S&C business, we may have missed the bus as far as new ways of training like online or newer skill sets like data analytics or AI are concerned? And if so, would an acquisition make sense given the cash war chest we have now?

Vijay K. Thadani: Maybe I will answer your second question before I answer your first question. So from a growth strategy perspective, we are, as we should, looking for acquisitions through both our capability and market access. That has been a stated strategy and we are working towards it. Second, to answer your first question, I do not think we have missed the bus. What we have focused on a lot is to create products that create very substantial outcomes for our students and our customers. We have worked on the StackRoute product for the last four years and we had 16 very satisfied customers where each of the students is showing very remarkable outcomes in the work that they perform. And I think it is that relentless pursuit of quality that sometimes slows us down, but it is that foundation that has worked well for NIIT in the past. And I think that is what will work for us to create a sustainable growth model in the future.

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

Kaushik Poddar: Did I understand you correctly, are you thinking of any inorganic moves in the School Learning specifically?

Sapnesh Lalla: It is hard for me or it would not be right for me to comment on exactly what we are looking at or the types of companies we are looking at. What I would want to share is, a), we look at acquisitions to create substantial increase in our capabilities; second, we look for creating market access. Those are the two directional inputs I can provide at this point in time.

Kaushik Poddar: Is it applicable for both the Skills & Careers as well as School Learning or only School Learning?

Sapnesh Lalla: I think the largest parts of our business are Corporate business and our Skills & Careers business. And so from a capital deployment perspective, those two would achieve the higher priorities.

Kaushik Poddar: Reserve cash hoard you are having, have you allocated as to how much should be going towards such kind of acquisitions?

Sapnesh Lalla: We have a committee that is looking at creating a balance between rewarding shareholders, as Vijay pointed out earlier and allocating growth capital. And I think they are going to create a fine balance between these two key objectives.

Kaushik Poddar: And whenever they arrive at such a decision, will it be made known to shareholders as to how much of that cash hoard will be allocated among the shareholders as well as for the inorganic growth?

Vijay K. Thadani: Kaushik, this is Vijay. So as I have mentioned already, I think with the two actions that we have taken since then, total outflow from NIIT would be Rs.500-odd crores, which of course taxes and costs to be excluded which have gone as dividend as well as buy back, and that is 36% of balance cash that was left after paying taxes as well as loans and the free cash proceed. So, that is a constant endeavor. And by the way, the business is also generating cash. So, we also have to remember that, and therefore all this will be put together and we will look at every opportunity to see that we are appropriately rewarding the shareholders and sharing the cash with them as well as keeping the cash for our growth capital which is required. And the plans for growth capital as and when they fructify on each one of those, some of those actions have already been put in force. I think we would be sharing with the shareholders. Obviously, every capital deployment does get shared with shareholders at an overall level.

Moderator: Thank you. The next question is from the line of P Sachdev from Albatross Capital. Please go ahead.

P Sachdev: Having a look at your presentation, your Corporate Learning has shown EBITDA of about Rs.28, 29-odd crores and Skills has done about Rs.60 lakhs, that comes to about Rs.30 crores; however, the consolidated numbers shows an EBITDA of Rs.24.5 crores. Can you just throw some light on where the balance Rs.5 crores has gone?

Sapnesh Lalla: I think that is a great question. Our Schools business is a very seasonal business. For three quarters, it does not create a profit, in fact, it consumes cash. And given the decision-making cycles in most schools which are aligned to Q4, the Q4 tends to be the largest quarter. So that is really the difference.

P Sachdev: It is nice to sort of put a slide on that division, it is operational or non-operational, whatever it is, some footnotes.

Vijay K. Thadani: No, I think the data sheet that we give on the website, that has this detail.

P Sachdev: It is not there at the moment. So I do not know what you are talking about. Anyway, secondly on the cash distribution, it has been 10-months since the deal was consummated and even the management I think has clarified three, four times that we need some time for the right allocation towards growth capital and distributing shareholders. So I think it is high time that the company give out some percentage or the kind of cash shareholders would be receiving.

Vijay K. Thadani: As I mentioned already, on every given opportunity, the company has been working on distributing the cash. And I just answered the previous question. 36% of the free cash that we had is already distributed, and the rest it will depend on what is required between growth capital as well as balance will be returned at appropriate opportunity.

Moderator: Thank you. The next question is from the line of Vivek Joshi from Bandarpoonch Capital LLP. Please go ahead.

Vivek Joshi: Could you give us an update on the cash on the books as of 31st December? And the contingent liabilities which were held, what is the period that they are going to be held for, that is about Rs.200 crores?

Vijay K. Thadani: Yes, that is right. So the total cash balance at the end of the quarter was Rs.13.583 billion, which is Rs.1,358.3 crores, net cash is at Rs.1,292 crores. Cash was higher than net cash because of the small debt that we have which is yet to be repaid which will be paid at the time when it is due because closing it early would be a more expensive process. So, I think that is one part of your question. To your second part, there was an indemnity reserve as per the FHA which we built and we kept and that is of the order of Rs. 222 crores.

Vivek Joshi: No, that stays for what period?

Vijay K. Thadani: Two years.

Vivek Joshi: This Rs.1,358 crores includes this Rs.222 crores, right?

Vijay K. Thadani: Very correct, it includes.

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

Suresh Agarwal: I will request to please furnish the cash flow statement if possible to the shareholders so that we can come to know how much contingent liability is there, because at the time of receiving that one from NIIT Technologies, the taxation was there and taxation was reversed in the next quarter. So I would like to request you to kindly furnish the detail cash flow statement, so that we would come to know how much is there, how much in contingent liability, how much you have spend in this buyback, and how much dividend is given and how much is left, and how much debt is there and net cash is there? In the last con call also I have requested the management to please furnish the statement to the whole shareholders so that we will be acquainted with the cash position of the company.

Vijay K. Thadani: No, no, we will be very happy to. In fact, we must have missed it somehow in the last quarter. I will go through the transcripts again to see if we missed out something, but I can read it out to you right now, I have it with me or maybe I should send it to you. What do you prefer?

Suresh Agarwal: No, no, please read it out now so that every shareholder on the con call will be get benefited.

Vijay K. Thadani: We had the proceeds of Rs.2,020.4 crores, of which there was a transaction cost of Rs.36.4 crores, on which there was a tax of Rs.1,41.2 crores. This was in comparison to Rs.315.6 crores which we had worked out earlier, but after the union budget in July, we had a scaling of Rs.174.4 crores. So net, the tax that we paid was Rs. 141.2 crores. We repaid a debt of Rs.158 crores and there is Rs.20 more crores still to be done. The reserve for indemnity was at Rs.222 crores which I answered a few minutes ago. Therefore the free cash available is Rs.1,442.6 crores.

Suresh Agarwal: Debt outstanding is only Rs.20 crores?

Vijay K. Thadani: That is right, Rs.20 crores of long-term loans, then there is a cash credit limit in US and Canada which obviously gets paid from their own cash.

Suresh Agarwal: So after buyback and all these things, actually you are left with around Rs.1,400 crores of net cash?

Vijay K. Thadani: We were left, we were left, of which we paid a dividend of Rs.5 in August which consumed Rs.102.6 crores, and we did a buyback of Rs.412.8 crores total cost, Rs.335 crores net to the shareholders, balance in tax and pass.

Suresh Agarwal: So how much balance is now there in our book?

Vijay K. Thadani: Rs.927.2 crores.

Suresh Agarwal: That is from the proceed of the NIIT Technologies?

Vijay K. Thadani: That is right.

Suresh Agarwal: And the remaining cash generated by our business activities?

Vijay K. Thadani: I gave you the total cash balance. Net cash was Rs.1,292 crores. I would still like to send you that cash statement. I do not think there is an issue, but Kapil will make sure that you have it.

Suresh Agarwal: Okay, I will be very much happier if I will get it.

Vijay K. Thadani: No-no, sometimes in our conference call it is possible we may miss out something. It is absolutely no harm and we are happy to receive an e-mail from any of our shareholders. We love to respond to their questions.

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

Shradha Agrawal: Sir, this is the second consecutive quarter wherein we have clocked upwards of 15% margins in CLG. So is this a new normal we are looking at or how should we build in margins for the next few quarters?

Sapnesh Lalla: I think this is the right ballpark in a buffet, a few basis points up or down.

Shradha Agrawal: How should we look at our growth rate, organic in CLG for say a year beyond given that we have seen good traction in customer addition? So earlier we used to talk of a 10% to 12% annual growth in CLG. So do we stick by that statement or we see some upward revision in our growth outlook in this business?

Sapnesh Lalla: I think we should look at our current growth rates in the mid-teens as the outlook.

Shradha Agrawal: Vijay, given that DDT has been abolished in the recent budget. So what should be the new preferred mode of cash return to shareholders balance between buyback and dividend, how should we look at the way through which we would be rewarding the shareholders going forward?

Vijay K. Thadani: Given that the union budget was only on last Sunday and I think every day there is a little bit of announcement for clarification as people are discovering what all is happening with the budget. Obviously, in this board meeting, we could not take any call and any discussion on that. But definitely special committee that we have which is looking at rewarding shareholders is continuously looking at. And as we speak, we are examining the budget in detail and then charting out a strategy. It will be wonderful if we can also receive some suggestions from our shareholders because everybody is combined, should I say, knowledge and expertise will help in taking up a decision which is beneficial to our shareholders.

Shradha Agrawal: Reason why I asked this question is, Vijay, it has been two quarters that we announced dividend and I understand that buyback was announced in just last quarter and nine months from now that we can announce another buyback. So we can expect a dividend announcement between Q3 and Q4 is the directional sense I want to get from the management?

Vijay K. Thadani: So, Q3 is already over and we are in Q4. Q4, we are at this time examining the budget provision, and if the budget stated exactly what it stated, then there is a cutoff point which also will be coming up, and therefore, we have to examine what is best for all our shareholders. But obviously, it can only be in the future, it cannot be in the past because the quarter is over. So, I think best would be that we remain in touch and in that process you have any suggestions to make, we would love to hear those suggestions.

Shradha Agrawal: We can discuss this offline. And other thing is how should we build in our tax rate going forward now because this time around we had 15% tax to PBT. So what should we bake in for our future quarter projections?

Vijay K. Thadani: 18% to 20% would be an appropriate level next year.

Shradha Agrawal: For FY21 and '22, right?

Vijay K. Thadani: Very correct.

Shradha Agrawal: The same number on the CAPEX if you could provide how should we look at CAPEX?

Vijay K. Thadani: So there is a normal CAPEX which is a normal level of CAPEX which we are incurring, which is in the range of Rs.50 crores to Rs.70 crores every year. There is a growth capital deployment which are projects that we are working on. That may get augured by some of those initiatives. So, I would wait one more quarter so that we can give you a clearer picture, and by that time anyway this financial year will end and we will be able to share with you the plans for next year as well.

Moderator: Thank you. The next question is from the line of Nisarg Vakharia from Lucky Investment Managers. Please go ahead.

Nisarg Vakharia: Sir, if I heard you correctly, you said that the normal CAPEX in the business is between Rs.50 crores to Rs.70 crores p.a.?

Vijay K. Thadani: No- no, if you see our last two, three years, we have been spending in that range. So I am saying given that there is a business acceleration, that kind of CAPEX will be spent. Of course, we will not be spending on the same thing. For example, we were doing the Canadian project for which there was a certain amount of CAPEX and that was on a higher side. Most of it is over. So now I think most of the CAPEX will go for expansion and growth.

Nisarg Vakharia: Sir, referring to the Corporate Learning business, let us say if we do Rs.100 crores to Rs.115 crores EBITDA approximately that number this year, what is the cash flow that we will make on that EBITDA?

Vijay K. Thadani: My gut feel is that there is about 55-days of working capital.

Management: We expect that, therefore, at an overall, that will improve going forward.

Vijay K. Thadani: My feeling is that from that there are some project-related CAPEX and there is a working capital of 50 to 55-days of sales, rest of it all comes into cash.

Nisarg Vakharia: So 50-days of working capital, and other than that there is a basic CAPEX which you are saying?

Vijay K. Thadani: Yes. Last two years, it has been on a higher side because of our project CAPEX.

Nisarg Vakharia: Sir, next year if we suppose grow our EBITDA and top line at 15% and if we do let us say Rs.130 crores EBITDA, on Rs.130 crores EBITDA in the CLG business, how much cash flow will we make?

Vijay K. Thadani: My gut tells me Rs.65 crores to Rs.70 crores.

Nisarg Vakharia: But then you are saying working capital cycle is only two months, right?

Vijay K. Thadani: Yes, 50 days to 55 days.

Nisarg Vakharia: Sir, then why is the EBITDA to cash flow conversion so low because if it is only two months of working capital cycle, the EBITDA to cash flow should be much higher, right?

Vijay K. Thadani: It should be much higher. I am assuming that we are going to invest in expansion.

Nisarg Vakharia: So you are referring to free cash flow, when you say Rs.50 crores to Rs.55 crores?

Vijay K. Thadani: No, then you just have to remove 50 days to 55 days, nothing else.

Nisarg Vakharia: This CAPEX which we are doing, so when we look at a typical IT services business, has essentially a similar working capital cycle as compared to you, but balance of all of that money actually goes into free cash flow. So, is it that our business is structurally different, and we constantly need to do CAPEX to get this business or is it that this is a business which is at an inflection point and hence we are doing CAPEX?

Vijay K. Thadani: Both reasons. A), it is slightly different. I am just saying if IT services companies got a project saying you please write SAP and then deploy it in our company and take next two years to write that, yes, I am taking SAP as a package and then deploy it for the next five years in the company and run the operation. Today, they do the second part. First part is already done because there is a standard software which is used because they are doing implementation of existing software, maintenance of existing software and sometimes writing existing software. Our some of the contracts are structurally different, and that is why project CAPEX comes up. Otherwise, by the way, our working capital is much more efficient than a typical IT services company. If you see our receivables are much lower than a typical IT services company.

Nisarg Vakharia: Yes, but we ultimately see the free cash flow in the business?

Vijay K. Thadani: No, no, I agree, I am not saying yes or no, but I am just saying sometimes the projects are of the kind which involve larger CAPEX upfront.

Nisarg Vakharia: Sir, any large contracts that we are now pursuing like a Canada deal which is in the near-term horizon or we have visibility for?

Sapnesh Lalla: This year, we had one so far and we have a pipeline of three and we expect the decision on at least one or two of them over the next three to four months.

Nisarg Vakharia: Sir, what would be the size of these two deals which you expect a decision?

Sapnesh Lalla: It would not be right, I mean, this is a public call and we are under strong NDAs and it is not hard for someone to figure out what those deals might be. So, I would much rather talk about them once they are done and dusted.

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

Rahul Jain: My question is about the CLS business and the amortization that we have done in this quarter. So what is the total amount on which we need to do it and what is the tenure that we are considering for that?

Sapnesh Lalla: So, I would answer the question over two dimensions; one is that it is amortized over the duration of the contract which is five years. In terms of exactly how much it is, given that it is very project-specific, we would not disclose that.

Rahul Jain: Just to understand, both from revenue and amortization perspective, since this was a quarter where we had it for the full of the quarter, but has the contract ramped to its potential or there is some legs more where we reach the full potential, and similarly, on the depreciation or amortization point, have we reached the peak run rate?

Sapnesh Lalla: I think that is a very good question. To answer your first question first, 'have we reached the run rate' like you pointed out and I had said earlier, this was the first quarter of operation and I think we will reach our regular run rate in about two to three quarters. So this is the first quarter, we will have to wait for two to three quarters for it to reach full run rate. I think your second question was, is there likelihood of increase in the depreciation component. Like Vijay pointed out earlier, large majority of the work has been completed. So, what you might see in terms of increase in depreciation as related to this project would be implemented.

Vijay K. Thadani: Because depreciation is on a straight line basis.

Rahul Jain: We had this thought, since we have encashed this huge asset that we had, and we could now potentially look like a much stronger company from a cash and net worth perspective. So can you say that those benefits are visible in the orders that we have added now, or these are in general thing that we had and now we may see that potential to be capitalized in future?

Sapnesh Lalla: I think it is certainly giving us a competitive advantage in the conversations that we are having right now. As you are probably aware, our sales cycle tends to be two to three quarters in duration typically. Sometimes, it is longer than that especially for large deals. But as our customers consider us, they look at us favorably given our strong balance sheet. I think they also take heart in the fact that as an organization, we continuously invest in becoming better, we continuously invest in technologies and innovations, which make our services more valuable to our customers. The last thing I would say is given our strong position; it creates a sense of trust with our customers that these guys are here for you.

Moderator: Thank you. The next question is from the line of Supratim Basu from Americorp Capital. Please go ahead.

Supratim Basu: Can you give me a sense for your Corporate Learning Group that on a normalized basis what can be the annual revenue growth rate for the business?

Sapnesh Lalla: Like I mentioned a little bit earlier, this year our growth rate is likely to be in the 10-15% range and as we look ahead, it is likely to accelerate to mid-teens.

Supratim Basu: So are you saying that this quarter’s performance was exceptional for you to guide annual revenue growth to point to 10-15% annual growth rate for the next year?

Sapnesh Lalla: No, I did not say that. What I said is that for this year we have guided 10% to 15%...

Vijay K. Thadani: And we are on the upper end of that right now.

Sapnesh Lalla: And that’s because in the first quarter we had not had a very strong growth rate and that caused us to have a...

Supratim Basu: So I understand that. What I am trying to get a sense for is that as you build up this business and as you have invested so much in the business, going forward if you were to take a two to three year view is say 20% revenue growth feasible in this business?

Sapnesh Lalla: Let me repeat what I said. What I said is, in the next year we are looking at mid-teens. And from a feasibility perspective, yes, over a three-year period, 20% growth rate is feasible.

Supratim Basu: Just a small data question on this quarter's numbers. You mentioned that revenue is up 17% in rupee terms, but constant currency was up 18%. Where did you get hit on the currency?

Sapnesh Lalla: I think the predominant hit was between cross currency between Europe and United States. So it was not as much on GBP-INR or Euro-INR or USD-INR, but it was the cross-currency between Europe and United States.

Supratim Basu: Why would you have a cross-currency hit, are you either billing US from Europe or vice-versa or delivering services in that manner?

Sapnesh Lalla: Almost all of our customers are global customers. So we might have US or Europe as a billing location whereas the services might be getting delivered in United States or from United States and we bill them in one currency given that we are servicing them as a multinational. So, that is the reason why there is a cross-currency between United States and Europe. And now I cannot just say Europe, now I think I should say United States, Europe and UK.

Supratim Basu: One more data question; your depreciation has basically jumped by Rs.4.1 crores for this quarter if I were to look at it sequentially and you mentioned earlier that you are following straight line method and if I were to take a 15% depreciation rate, that works out to what Rs.27 crores incremental CAPEX during the quarter. Am I reading that number correct?

Sapnesh Lalla: No, I do not think so. Let me try and explain the incremental depreciation between previous quarter and this quarter. Like I pointed out, we had the first full quarter of a large contract that we are executing in Canada. And as Vijay pointed out, for that contract, there was significant IP creation that was done in the first two years of the contract, and then in the last quarter, we had the first revenue generating full quarter of the contract. So if I look at it from a straight line depreciation perspective while the revenues on this contract will ramp up over the next two to three quarters to become normalized revenues, from a straight line perspective, the depreciation has started, so you are seeing a full increment of depreciation whereas a part increment in terms of revenues. Does that make sense?

Supratim Basu: Okay, partly, I will discuss this further offline. Just taking this Canada project as an example and tying up with something you mentioned to another analyst previously.

When you say IP creation was done ahead of a project actually going live. This is basically content creation, right. So what you are doing is that we are taking manpower expense and capitalizing it?

Sapnesh Lalla: That is to some part correct, the content and technology.

Supratim Basu: So when you say technology, you are capitalizing licenses?

Sapnesh Lalla: No, the technology that we have built to deliver the content.

Supratim Basu: So what is the technology? When you say technology to deliver this content, what does the technology consist of?

Sapnesh Lalla: You can think of it as a platform. So the modality for delivery of this content is digital. And our students come to our platform to consume these programs as well as we use technology to continuously engage with those students while they are on the platform as well as after they have completed the course.

Supratim Basu: Again, effectively, when you say it is your platform and it is a custom made platform for delivery, to build that platform it is essentially manpower cost, some amount of hosting charges and if you are paying for database or other software, the license fees, right, there is nothing else that is there in this thing called technology?

Sapnesh Lalla: Yes, building the platform is...

Supratim Basu: It is basically people cost.

Sapnesh Lalla: Those are hosting.

Vijay K. Thadani: Yes, it is, that we said in the first place itself. Yes, but I could not figure out the point that you are trying to say.

Supratim Basu: If you again take this Canada project as an example and you are building IP before the project goes live, what would be the tenure of this project?

Sapnesh Lalla: Five years.

Supratim Basu: So the project is lasting for five years. And how much time did you spend pre-project building the platform and content?

Sapnesh Lalla: Two years. Contract term or the delivery term is five years from the day of going live.

Supratim Basu: I would want to discuss some more on this, but we will do that offline. Just coming back one last time to the Corporate Learning Group. Your EBITDA margins have been steadily rising over the last few quarters. Is that a trend that you think will continue going forward? Can we expect further improvements or are we pretty much reaching peak EBITDA levels now?

Sapnesh Lalla: In our growth journey, I would not call it peak EBITDA level. What I have said in the past is that we are continuously investing in sales and marketing and we will continuously do that. I would expect the margins to buffet in this zone or in this ballpark.

Moderator: Thank you. The next question is from the line of Suresh Agarwal, an Individual Investor. Please go ahead.

Suresh Agarwal: Sir, our market cap as on date is around Rs.1,430 crores equivalent to or more or less, and other than promoters, FII, DII, marginal shareholders are around 24%. But our share price is not reaching the buyback level also. What is the reason sir?

Sapnesh Lalla: I think you should be answering that. We only run the fundamentals of the business. We do not manage the share price. We can tell you why our profits are high or low, why our revenues are high or low. The share price is determined by all of you who are on the call. So it will be a wrong question.

Suresh Agarwal: No-no, why I am asking actually, like all the companies are going for like one-to-one individual meetings with the FII, mutual funds, and all those big players, okay? But since our FII, DII all these shareholdings are already going up more or less and they are having a substantial stake in the company, and these minority shareholders their stake is coming up from 5% to around 24%. But still our share price is not reflecting the true value because market cap is more or less at this price is equivalent to the case we are handling**1.** So I will request you to do something so that our share price also gives us some value.

Vijay K. Thadani: Your point is taken, but what we can do, I can again repeat is to improve the fundamentals of the business which is what we work day and night for. But, any more suggestions you have, we would love to take here. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Vijay K. Thadani: Thank you very much for your very active participation. Your questions as usual create more education for us and give us time to work on things that we should work on and define our priority. I think there was only one follow-up request for data and that was to share the cash flow statement. We will be happy to share of the proceeds of the divestment and that is something which we shared to others. But if you have any other questions on any part of the business, please do not hesitate to contact

Kapil Saurabh, Sapnesh or anyone of us, we will be happy to answer further. Thank you very much once again for your continued interest in NIIT. All the best.

Sapnesh Lalla: Thank you.

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