“NIIT Limited's Q3 FY'22 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY'22 Earnings Conference Call of NIIT Limited. 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, Margaret, and thank you, everyone. Good afternoon to all of you. I thank you for joining this briefing on our Q3 results and developments and also for your continuing interest in NIIT.

We have had a very exciting quarter and we are in exciting times that I will share with you. We will talk about the business performance of third quarter of financial year '22. After that, I would like to share with you some significant developments which were approved by the board of NIIT Limited today, which I believe have solid potential to pave the way for significant value creation for NIIT's customers and NIIT-ians as we call our employees and NIIT shareholders. This is happening at a very appropriate time because we also crossed an important milestone in the life of NIIT during the quarter as we completed 40-years of our foundation on December 2, 2021.

While Sapnesh will talk about Q3 results, I just wanted to give you a highlight of the fact that results continue to show the strong growth opportunity and momentum that both businesses have, which is strongly driven by and led by Sapnesh and his team through agile and decisive actions taken for the Company which have taken the volatility in the environment and use it to our advantage. The depth and breadth of our experience in learning technologies which have contributed to realizing that opportunity and the strong execution capabilities where all NIIT-ians, even though from 20th of March 2020 have been operating working from home have delivered an exceptional quarter once again and I think each quarter has been written that. This has definitely helped the Company to transform and continue to meet and exceed our customers' expectations. We do see some improvements in the environment as organizations are starting to invest in their growth agenda and talent becoming the top priority for every corporation is creating a significant multi-year growth opportunity for us.

So that being the background, I hand you over to Sapnesh and then we'll get into more details. We keep our brief short and keep more time for questions-and-answers.

Sapnesh Lalla: Thanks, Vijay and thanks everyone for joining us. I will take you through the results now. NIIT's revenue stood at 3,836 million, it was up 51% year-on-year and 22% quarter-on-quarter. Please note that the financials include impact of acquisition of RPS Consulting that got consummated on 1st of October 2021. Excluding RPS Consulting revenue was at 3,534 million, up 39% year-on-year and up 12% quarter-on-quarter. Both the businesses CLG and S&C are on a strong growth path. I will cover each business in my subsequent discussion.

The EBITDA stood at 827 million, up 75% year-on-year. EBITDA margin was 22%, up 295 basis points year-on-year. PAT stood at 550 million and the resulting EPS is at 4.1 INR.

Going to our Corporate business, the Corporate business continued its growth trajectory, our disproportionate investments in digital capabilities and sales and marketing are enabling scale and acceleration of this business. These have helped this business outperform our stated guidance driven by growth in new customers and scope expansions with existing customers.

In Q3, revenue stood at 2,961 million, up 36% year-on-year and up 9% quarter-on-quarter. In constant currency terms, the growth was 7.6% quarter-on-quarter. We saw strong sequential growth predominantly driven by accelerated ramp up of new customers and expansion in share of wallet of existing customers. Some of the higher year end spending also helped grow the business for Q3.

The EBITDA was at 735 million, up 47% year-on-year. EBITDA margin was 25%, up 181 basis points year-on-year. As guided earlier, margin was down quarter-on-quarter. This was due to the planned ramp up in sales and marketing expenses in order to enter new market segments in United States, as well as Europe and some of the transition expenses experienced due to new customers that got onboarded in the previous quarter.

During the quarter, the Corporate Learning business acquired four new MTS customers, including one aerospace giant, two technology companies and one BFSI major. We expanded three existing contracts and also renewed three contracts that came up for renewal. That continues our 100% renewal record in terms of renewing all contracts that come up for renewal.

As of December 31, the revenue visibility stood at $326 million versus $294 million in the previous quarter. The number of active MTS customers now stands at 65. Last quarter, I had indicated that the current year growth targets were going to be at about 30%-plus with margin levels in the mid-20s. Based on the strong performance in Q3, we now expect full year growth to be in the mid-30s and the margin expectations remain steady at mid-20s.

Coming to our Skills and Career business, the revenue for the quarter was INR874 million, and that was up 144% year-on-year. Excluding the revenue due to the acquisition of RPS Consulting revenue stood at 573 million INR, up 60% YoY and up 36% QoQ. Please note that this is a seasonal business. So YoY comparisons are more appropriate than sequential comparisons.

The quarter-on-quarter performance in addition to the acquisition of RPS Consulting includes an impact of growth in organic business as well as the seasonality that I just talked about.

StackRoute and TPaaS is key product lines continue to remain strong and continue to grow both at significant year-on-year level as well as quarter-on-quarter.

The business is emerging as a strong digital learning platform across domains for both career seekers as well as working professionals, leveraging the strength of our brand, deep expertise in pedagogy and the use of technology to drive learning outcomes.

Addition of RPS Consulting has reinforced and further strengthened offerings specifically with respect to the working professional segments. The business provides training in emerging digital technologies to working professionals, a segment that has seen strong demand due to digital transformation across businesses.

As shared on the previous call, we have accelerated investments in the business, which has helped to lift revenue run rate. We see a multi-year cycle for growth in demand for digital talent. And as businesses increase adoption of digital technologies, we see a great opportunity for our Skills and Career business. Between StackRoute, RPS and our Enterprise business, we have strong coverage of GSI that are the key enablers of digital transformation globally as well as GCCs who are key early adopters of digital technologies. We also see a lot of opportunities in Indian enterprises adopting digital technologies to pave the way for digital transformation in their enterprises.

We now have a range of offerings of digital skills including programs for 5G, Cloud Technologies, Cyber Security, Game Development, Data Sciences, and Full Stack Product Engineering, as well as Programs in Digital Marketing, Business Development and Virtual Relationship Management for the digital enterprise.

In terms of balance sheet, our metrics continued to get stronger. The cash position improved quarter-on-quarter by INR250 million to INR12,180 million versus INR11,930 million last quarter. Please note that this is despite the payout for the acquisition of RPS Consulting during Q3.

DSO was at 57-days as of December 31, same time last year the DSO was 63-days, so a six day improvement in DSOs. Operating cash flow in Q3 was INR1,067 million and free cash flow was INR1,023 million.

The operating RoC has seen significant improvements over the last several quarters and operating RoC has improved to 78.5% at the end of this quarter versus 73.5% previous quarter.

Overall, both businesses have tremendous opportunity in front of them. Corporate Learning business that sees a market of $350 billion to $400 billion annually is ranked among the top five Managed Training Services Corporations worldwide, one of the only two specialist learning companies in the top five, it enjoys differentiated positioning, market-leading growth, profitability, and cash generation capability and a track record of creating successful outcomes for customers in helping them transform their L&D organizations as well as helping transform their talents, improving their efficiency and effectiveness and helping them run training like a business.

The CLG focus continues to remain on North America and European markets. The Skills and Career business represents a $15 billion to $20 billion dollar training opportunity. Acceleration of digital transformation leading to a war for talent has created strong headwinds for this business. The young population in India and the improving enrolment ratio into higher education shows that this opportunity is going to be a multi-year opportunity for us. Strong demand and continuing skills upgrade for working professionals due to digital transformation is going to add tailwinds to the opportunity that S&C faces.

Overall, I feel that both the Corporate business as well as the Skills and Career business have a very significant opportunity for growth expansion. Corporate business could become a $400 million business in the next four to five years and the Skills and Career business could become 5x of what it is today in the next five years.

As you can tell, both have ambitious trajectories, both leadership teams are very driven. In the Corporate Learning, our ambition is to be the global leader in managed training services. In the Skills and Career business, our goal is to be a dominant player and a top education brand in the markets we serve including India and many emerging markets. In five years like I mentioned, I expect the CLG business to be upwards of $500 million and the Skills and Career business as I mentioned will be five times its size today.

We will continue to pursue investment opportunities both organically and inorganically to drive growth across the CLG as well as S&C business. In CLG, we will continue to focus on expansion in improving geographic coverage, specifically around Continental Europe and Latin America, addition of new capabilities so that we can service new segments and new opportunities across customers and improve share of wallet, and then obviously penetration of new market segments as I talked about a little bit earlier. In S&C we will continue to invest to achieve leadership and a dominant position in the markets that we cover, including India and some of the emerging markets.

With that, I'm going to hand you over to Vijay to take you through some of the more exciting news that the board approved today.

Vijay Thadani: Thank you, Sapnesh. I am sure you would agree was an exceptional performance in the quarter and I think over the year. But keeping these changing market conditions and the rapid digital transformation taking place as well as the preference of various stakeholders evolving over a period of time, the board had formed a special committee to get into details of this and build a strategic plan, which involve working closely with the senior management of the Company on one hand, and on the other hand, to engage with relevant industry experts and advisors and then present the proposed plans. So, earlier today, the special committee's plans for CLG and S&C businesses after engagement with external efforts and feedback were shared and what emerged was as Sapnesh rightly pointed out, the talent is the top priority for every organization. And in that scenario, there is a multi-year growth opportunity for each of the two businesses that we are involved in, which is CLG and S&C. The Company has a strong balance sheet and market-leading offerings and we are therefore very uniquely positioned to take advantage of the current environment. So, this was the overall positive. The committee also felt based on the advice that we receive that in a certain way, the businesses are also becoming increasingly different with unique market dynamics in the markets that they operate in, CLG operates in North America and Europe, the S&C business is predominant in India and the emerging economies, customers heads are different, the customer sets for CLG business are Fortune 1000 global companies, on the other hand, for S&C the customer set is individual learners, career seekers as well as working professionals. The offerings also automatically are different. One is focused on outsourcing services which is CLG and S&C which is predominantly focused on delivering learning across multiple domains through a digital learning platform. So given this differences and the positive momentum that each of the businesses has shown, as well as the great opportunity that lies for both these businesses, the committee felt that the targeted customers need undivided attention, differentiation focus and a clear positioning. We also need to provide the management teams with agility and independent decision-making as well as capital to support the value creation for our customers.

NIIT has the requisite capital and a strong balance sheet and therefore creating to independently run businesses with significant growth capital will propel both CLG and S&C to realize their true potential and the aspirations that they have built. Based on this, the special committee recommended creating two independent entities which will help CLG and S&C to realize this aspiration that we talked about.

The board approved the composite scheme, which is essentially consisting of three things. One is reorganization of Corporate Learning business as an independent Company, separately listed on the exchanges. All assets, resources, contracts and investments, including the subsidiary companies which service the CLG business will form part of the CLG business and will be transferred and vested into NIIT's wholly-owned subsidiary, NIIT Learning Systems Limited. After that, this vertical split will result in NIIT would continue to run the S&C business and the CLG business which is now hosted in NLSL, where in lieu of NIIT share, NLSL will issue one share each to every shareholder of NIIT and thus get adjusted. So, the shareholders at the end of this exercise will hold one share of NIIT Limited and one share of NLSL, both these companies being listed on the stock exchange.

This reorganization will involve regulatory approvals, and under Sec. 230 to 232 of Companies Act, And this will be subject to shareholders, creditors customary approvals, as well as NCLT and SEBI. And this exercise can take between 12 to 18 months to complete. Our endeavor will be to complete it as fast as possible, but given the fact that the appointed date is 1st April 2022, while the CLG business would continue to be held in trust by NIIT Limited, the accounts for both these entities will be available individually from that time onwards. We believe that this move will significantly help the leadership team to give undivided attention to their respective customers. It will simplify decision-making and more important that not give them capital at the time and the way that they would require it and thus result in unlocking of value for each of these two businesses. So we'll be happy to answer more questions on this. I'm sure there would be.

Also, along with the approval of the scheme, the board also said that the important milestone of 40-years of existence on December 2nd deserves to be recognized, along with the exceptional performance and the landmark moment when I think both these companies are poised at an exciting growth journey.

So the board has approved an interim dividend of Rs.3 per share, which will be 150% of the face value. The board also deliberated that in view of the pending scheme of reorganization that is underway, it would be prudent for the respective board to consider any further recommendation of dividend only after the scheme gets approved and effected. In other words, we have the exciting news of CLG and S&C getting listed as two independent separately listed companies as a dividend to start that process of Rs.3 per share that I wanted to share with you. So with that, I suggest that we open our Q&A.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: A couple of questions here. Firstly, do you think the size of the two businesses were ideal to do the transaction and what else consideration went into this kind of thought process because I believe the cash and the asset will also be divided in such a way that they have to chart their own trajectory, individually post demerger? Did you see any reason of co-existence, given that RPS is also not very different kind of business from what CLG is doing, so any reason why we would not have considered that element as well?

Vijay Thadani: So first of all, the consideration. I think the consideration is both businesses have achieved adequate size and scale and are poised for accelerated growth. That is I think the strongest reason. The strongest reason is our ability to meet our customers' needs. And I think it has not happened over now but it has been happening over the last five or six quarters. The S&C business which had to pivot from a brick-and-mortar to the digital transformation or a fully digital model and now kind of a hybrid model, I have to admit, got aided by COVID, but nevertheless, I think it has happened at a rapid pace. And this is because of some very resolute decision-making by the leadership team led by Sapnesh, which has brought the business to this level where it has achieved the size and scale and has earned the right to regain its dominant position as the most trusted brand in the country in education and training. So this was one. I think CLG have had a very strong run with even if you see the new contracts, which have been added this quarter, actually positions it extremely well to go after its aspiration. So that was a strong point. We have a strong balance sheet. And that balance sheet, obviously the capital had to be allocated accordingly based on the needs of the two businesses, both have need for organic investments, as well as inorganic investments. And these investments would need to be directed for the benefit of those customers that are there. And I think this segregation or making it into two independent companies will give both management teams an opportunity to serve their customers well, which will also result in those employees getting the benefits, and, of course, the value unlocking which will emerge out of the two businesses discovering their own value, and being compared with their own peers in the marketplace. So I think those are the driving forces. And I'm sure I can answer follow-up questions or if you would like to understand this little more I can ask Sapnesh to explain for example.

Rahul Jain: Yes, just one bit on this and I will ask my next set of question. First is that will that need to set up a different leadership to run this business because I think aspiration that we have highlighted just now in this call of getting 5x on this business over the coming years is a daunting task in itself. So will that mean getting a new set of people to run the show or we will run with the existing set of people? Secondly, which is more broader, which is anything incremental that we are witnessing in the market that has added to our confidence of having this $400 million CLS in five years, which is 27% CAGR and 5x in S&C, so any reason for this new found confidence?

Vijay Thadani: So first let me answer your question on people. So we have strong operating teams on both sides of the business, very strong operating leaders we have on both sides of the business. Sapnesh has displayed exceptional leadership and has grown the business to this level. So he would continue to be involved in the governance of both the businesses. Of course, he would put his personal time more on driving the larger entity which is CLG entity, and that is based in North America, but he would be involved in the governance. We are strengthening our operating teams further and as time passes by, we will add more news as they develop. So that I think is the point. A) we have a strong team, b) we will strengthen it further. Second part, where is the confidence coming from? Let me hand you over to Sapnesh to talk about it.

Sapnesh Lalla: I think, in really simple terms, the confidence comes from the point where today like Vijay pointed out we have established a right to win, whether you look at the corporate business, which has had among the best years in terms of customer acquisition as well as expansion of existing contracts at a time when consumption of training has gone down given the uncertainty. So to be able to demonstrate growth, not just in new customer acquisition, but also share of wallet for existing customers who have choked on their consumption of training is something that's phenomenal that the Corporate Learning Group has achieved. In similar vein, the S&C business, which had to reinvent itself just about two years ago, has shown remarkable resiliency as well as innovation to transform itself into a digital business, and now boasts a large number of GSIs, GCCs and key India enterprises as their customers. The business as you know has traditionally focused on career seekers. But now with the addition of RPS Consulting as part of NIIT, we are able to expand the audience to working professionals in India as well. So across the board, there is significant confidence given the resiliency, given the innovation, given the ability to pivot to digital, given the ability to create offers in time to take on opportunity has given us the confidence that this might be the right inflection point where such a decision would result into value creation.

Rahul Jain: Revenue from RPS looks muted on a QoQ basis. Any reason for this given that environment is very conducive from hiring as well as scaling at any point of time?

Vijay Thadani: RPS has done exceptionally well this quarter. It was their first quarter of operation with us. So they have actually done very well. And again, I'm saying the opportunity is primarily driven from one basic premise around which the whole IT industry is also evolving as well as the rest of the industries are transforming, which is the emergence of digital technologies, which are affecting every single element of management and decision-making and servicing customers. Add to that the new input of working from home, and therefore it is also a changing future of workplace in addition to future of work. I think this creates a huge talent transformation opportunity. And NIIT through its worldwide operation, I think is poised to do that. But they need to be addressed differently in each geography based on the requirements. I think that's where we are coming from. Sapnesh, you wanted to add something more to this question?

Sapnesh Lalla: Like Vijay pointed out, I think the timing is good, the confidence is there, both the teams have established right to win and I think from an overall perspective, a lot of confidence in this action.

Rahul Jain: Just a small clarification because I think we gave Rs.105 crores number for TTM at a time of acquisition, now it's 30 crores in this quarter. So is it more like a flat QoQ or anything you want to share on that?

Vijay Thadani: It was Rs.105 crores last 12 months and Rs.30 crores this quarter means if we were to extend that we are at a run rate of Rs.120-plus crores already. We can share these numbers with you much more in detail. Just to let you know that RPS Consulting is ahead of these numbers and so is StackRoute and TPaaS, all three are ahead of their numbers.

Moderator: The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari: My first question is broadly in line with what the previous participant asked but slightly different. So what is it that we couldn't have probably achieved in the current setup that we intend to do in the new setup of two different companies as in because the two different businesses were anyways being handled by different teams and they had their own P&Ls earlier as well, so what is it that we would achieve by separating both into different companies now?

Vijay Thadani: I think let me attempt my bit to it but we saw there were multiple benefits of which some of them you already talked about. One is a focused attention to customers. Second is independent management focus and now this part already we have so strong operating leadership available in both the companies. I think the agility, accountability and responsibility to these teams and allocation of capital which was in optimization phase will now be maximization stage, which means what is valid for each business will get its value. Last but not the least, I think there is an opportunity to unlock value for each of the shareholders which perhaps you would have to think about or you would have to talk about.

Nirmal Bari: The second question was on the cash that we had on the balance sheet round about Rs.1,200 plus crores which is slightly less than 25% of the market cap at present and after this Rs.3 dividend there won't be any dividend till the businesses are separated. So how will this cash be divided between the two or is it that Corporate Learning Group will be separated and this cash will remain in the parent Company?

Vijay Thadani: First, let's understand the principles behind and then I can tell you the way it has been approved by the board. So the first is both businesses are poised for high growth, both businesses need capital for organic as well as inorganic activity. So that's the second thing. The third is one business is cash generating business and the second is cash consuming business a little bit in the near term or would not generate as much cash. So therefore keeping these consideration in mind and making sure that the growth appetite for both the business is fulfilled, fortunately this cash comes in handy in making sure that both aspirations are met. So taking your 1,200 crores number, it is proposed that about 700 crores will go to S&C side of the business and 500 crores to CLG side of the business. CLG while it is generating adequate cash on its own requires a strong balance sheet for it to participate in global RFP which require a strong balance sheet, number one. Number two, it also has an appetite for inorganic activity and we do not want that to be delayed or for that matter to be questioned or looking for other sources of finance. So idea was to give both businesses adequate money in consonance with their needs and that is what I think has been done.

Nirmal Bari: What was the EBITDA for S&C business for Q3 on organic basis excluding RPS Consulting?

Vijay Thadani: It was just above zero, it was 3% at 17 million. Excluding RPS business S&C grew by 60% year-on-year 36% quarter-on-quarter. Nirmal, if you have difficulty in getting through, Kapil, Sanjay, myself, Sapnesh, all of us are available to answer your questions separately or you would like to write to us, we would then respond and be available to everyone.

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

Kaushik Poddar: Mr. Lalla spoke about the kind of growth numbers for both the divisions. I missed it. So can he repeat both the numbers as to what is the kind of growth he sees in four, five years or something he quoted?

Sapnesh Lalla: From a Skills and Career business perspective, we expect it to become 5x of 240, 250 crores today, should be greater than 1,200 crores in five years. The Corporate business is at approximately annualized $150 million dollars today and we expect that to be in the $400 million to $500 million ballpark in the next five years.

Kaushik Poddar: And the margins also, can you give any ballpark say the five years down the line, do you have any numbers?

Sapnesh Lalla: On the Corporate business we have reasonably established growth and margin pattern and we expect the growth like I pointed out to be in the 20% or a little bit higher than that range from an organic perspective and the margins to be in the 20% range. The Skills and Career business is going to improve its margins from where it is today to reach closer to the 20% mark towards the fifth year.

Moderator: The next question is from the line of Shraddha Agarwal from Amsec. Please go ahead.

Shraddha Agarwal: Just to grab the first question further, on the timing of this demerger, it was just the first quarter of consolidation of RPS and we probably should have waited for one or two quarters before going in for this demerger, do you think that would have made more sense rather than doing it right away when we were actually on a strong growth of history so we would have probably explored more opportunities in a consolidated way and then would have taken different directions for both the businesses?

Vijay Thadani: First of all, I don't think the discussion is on whether we should have waited for the timing of a certain activity or a certain action. The discussion on the strategic plan happened much before and over a period of time we added RPS into the system. RPS is a perfect fit to realize the dream that S&C has and I think it is a perfect fit also from the point of view of leverage which the CLG business may want to do in future. So I do not think the issue is whether we should have waited or not. The important question to answer is, is this the right moment for us to take on the strategic paths that we have defined for each business. So that I think all of us would agree including you that the timing is right. I think how to realize that this is the time to make sure that that happens. So that's the belief our team has had and that's the belief our board has had, that's the belief our advisors who advised us on this action. So, I think there is a consistency in that thought process. At the same time you seem to indicate that maybe it will create some kind of a confusion. Definitely we would love to have a discussion and debate on that and I'm sure you would have a point of view since you are so familiar with the Company and we would definitely like to take that into consideration, but I think at this point of time, this decision stands very well validated by all the parameters that we have seen.

Shraddha Agarwal: One thing you also indicated that both these businesses require growth capital for both organic and organic activities. So inorganic in S&C would be more biased towards B2B business or more towards B2C because consolidation of RPS further enhances our proposition on the B2B side. So any further acquisition would be to further up our stance in B2B or would it be to increase our target market share in the B2C segment in S&C particularly?

Vijay Thadani: First of all, at least we would like to believe that the definition of B2B and B2C is a pre-digital era definition and over a period of time I think especially in emerging markets such as India and China I think there is a gray area between what is B2B or B2C, for example, you take our TPaaS. Now, TPaaS offering starts from the fact that a corporate defines the requirements. So to that extent you can call it a B2B opportunity but it's a B2C opportunity because it's an individual who actually joins the course, pays for it and has a job guarantee. So I think to remain in the two silos perhaps would deny us the opportunity of taking advantage of the marketplaces which are evolving and I think we should try to see what is the opportunity for career seekers and working professionals to build a long-term value for themselves by being associated with NIIT. Once you start looking at that, then in the early part of the journey the person is paying for it slightly later part of the journey. The organization may be paying for it and over a period of time both being solid or organizations will switch to a model where they ask individuals to invest in their re-skilling because they are the long-term beneficiaries of that. All these business models are evolving. And I think we have to be at the right place. In mature markets such as the global markets where outsourcing is the issue. Here the individual takes the decision to be with a particular entity or not or with a particular institution or not. In case of a CLG kind of a business his employer actually takes the call as to which entity the person would be associated with because the whole business gets outsourced to CLG. So there I think the call is that of the employer and here primarily the call is that of an individual. If you were to look at it that way the two businesses are very different. There are many more colors to it and we can talk about it and I'm sure Sapnesh can give you many examples.

Shraddha Agarwal: One last bookkeeping question. The CLG business saw an impact of close to 400 bps and Sapnesh did indicate the margin headwind. Is it possible for you to quantify what was the impact of each of these things on margins?

Sapnesh Lalla: I won't go into quantification which is very-very specific given that this becomes public information but suffice it to say that the predominant part was investment in organic initiatives which we have to expense given the accounting principles we follow, significant investment in sales and marketing to enter new market segments in the United States as well as investments in NIIT Digital including sales and marketing and platform related work for the India business.

That was the predominant part maybe close to three-fourth. The second part like I mentioned earlier was the onboarding of the expansion related work for an existing customer for whom we had very significant expansion over the last quarter.

Shraddha Agarwal: Exactly, Sapnesh, my point was I mean how much was this impact because probably this would be non-recurring in nature and maybe we might get the benefit on this account next quarter?

Sapnesh Lalla: I think we will see continued disproportionate investment in sales and marketing. This is something that we have done in the past and it has paid handsome returns as well as continued investment in opening the market segment that I talked to you about as well as NIIT Digital given where it is in its trajectory. I would agree on the transitioning or onboarding the expansion of the customer. That's a one-time expense, but then given the number of new customers that we have onboarded this quarter it's possible that some of those will require additional expenses to onboard as well.

Moderator: The next question is from the line of Vimal Gohil from Union AMC. Please go ahead.

Vimal Gohil: I'll just confirm one data point that you gave earlier. So the 1,100-odd crores of cash that we have on books will be distributed as Rs.700 crores in CLG and Rs.400 crores in S&C. Have I heard it correct?

Vijay Thadani: No, understanding was slightly incorrect. Rs.1,200 crores of cash, of which 700 crores will go to S&C and 500 crores to CLG.

Vimal Gohil: Just wanted to understand in terms of the working capital of both these businesses if you just make us understand what is the intensity, how would that be divided, which of the business is more working capital intensive as compared to other?

Vijay Thadani: I would tend to feel that the business which is on the outsourcing side, the corporates have fixed payment cycles and fixed payment terms and that is the one which would contribute to. Individuals on the other hand, as we move in this side of the market, there is some part which individuals pay and there is some part the corporates pay for that individual. The individuals typically pay in advance. So therefore the working capital is negative but corporates work on the same credit cycle. So overall working capital requirement of the S&C side of the business is lower than that of CLG; however, the investments required to accelerate that business and bring it to the cruising altitude if I may say are higher, and to that extent it will burn relatively more cash or release relatively less cash in the ensuing years.

Vimal Gohil: So would it be fair to assume that the S&C business is currently cash negative? And the S&C networth currently, would it be positive as of December?

Vijay Thadani: Yes, the S&C networth is positive and you are right at this point of time that business is consuming cash.

Vimal Gohil: When we say consuming cash, obviously it will be making bad losses but our working capital is negative, so basically it is a PAT negative at this point in time higher than our working capital?

Sanjay Mal: As Vijay mentioned, it will have a lower working capital but you're right that it might be just break even or inching up with cash at this point in time more from the investment perspective rather than the working capital perspective. At the same point in time, the treasury which is just carrying, that allocation will have a return and the PAT should not be negative.

Vijay Thadani: But having said that it is in an investment phase in business development and therefore based on the response that we see we may accelerate business development expenditure that goes out of operating expenses.

Vimal Gohil: Sapnesh, when you say that there was some impact in this particular quarter given the fact that we've invested in sales and marketing. So when we say sales and marketing generally we would have added to our hunting sales people on the ground, right, that's where most of the investments would have gone into. Are there any other areas that you've focused on or try to sort of strengthen?

Sapnesh Lalla: What you pointed out is very true for a corporate business. We added sales people and there are some marketing related expenses. However as it pertains to the B2C India business or the NIIT Digital business, while we added more headcount but we also spent on both newsprint as well as radio ads marketing, BTL is more local and below the line of marketing.

Moderator: The next question is from the line of Nilesh Jethani from BOI AXA. Please go ahead.

Nilesh Jethani: My first question is on our investment. So we were actually in the process of investing into B2C digital platform, was not exactly equal to some platforms like Upgrade or Byju but similar lines. So wanted to understand post the division of the businesses where it will find its place and as on today whatever investments we have done into it what do we envisage as far as investments are concerned, any thought process on this?

Sapnesh Lalla: Our digital platform is a platform that we use across NIIT, across all of the CLG business as well as across the S&C business whether the go-to-market is a B2C go-to-market or a B2B go-to-market, we use the same platform. This is a platform that we have invested in over the last several years, more intensely over the last five years to power CLG's growth initially and then more recently to power both CLG as well as an NIIT Digital's growth or S&C's growth. It would be hard for me to quantify how much we have invested in this platform over the last 10 years but suffice it to say that it is a platform that's used by Fortune 500 companies and large corporations to deliver high stakes training to both their employees as well as extended employees. I would also point out that this is the same platform that's delivering high stakes real estate education in Canada, the project that we started about three years ago. So it's a platform on which we've made significant investment not just from the point of view of technology but product engineering, product management as well as pedagogy so that when a student gets onto the platform they're able to achieve outcomes in a purely digital service delivery model. This platform as the reorganization takes place will be available to both the organizations and I think the opportunity would be for each organization to customize it to achieve specific results for their audiences rather than continuing to invest in one platform which hopes to achieve outcomes for both the audiences. The opportunity we have is to create a fork in the development process and let each organization or each publicly listed Company chart their own course on the digital platform, that's available to them as very strong foundation. This is different from somebody like you mentioned where they've been dabbling with their platform over the last two or three years. The platform that we have has had the experience of over 10 years.

Nilesh Jethani: Just wanted some clarification. Are we also in the process to have a pure B2C platform like the current startup businesses or what's the thought process on that or we would like to deviate away from that and focus on Corporate Learning Group and not go on to B2C business in that fashion?

Vijay Thadani: We are looking at the two businesses very differently. The requirements of the two markets in terms of what they expect from the platform are different as well and given that we have a strong foundation on which you can actually build two independent entities which service different cultures and different marketplaces. That's what I think Sapnesh alluded to. So this will provide that opportunity by looking at these two businesses differently.

Moderator: The next question is from the line of Satish, an individual investor. Please go ahead.

Satish: What attracted me very well is the receivables, what you call it outstanding days have come down by five days, so that is an excellent indicator of a growing Company and your narratives are looking fantastic and I hope the things going ahead will be much rosy and better in the coming days. One question I wanted to just ask you is by splitting the business into two entities, whether it will be what you call it beneficial to the shareholder, only the market will tell or you will be showing the right path and right guidance for those businesses to perform separately and strongly? So this is my question regarding the split of the business. Otherwise I'm very happy you have delivered fantastic figures and all the explanation given until now is completely fine with me.

Vijay Thadani: Thanks you very much. These are very-very encouraging remarks. I think we are absolutely honored and feeling very flattered with the words that you had to say. I think both businesses will discover their independent value. Today, actually both the businesses together do not belong to any category but I am sure in this independent value discovery both businesses with their projections and their unique differentiation features would be able to discover their independent value. As I said, one share of NIIT Limited will entitle shareholders for one share of NLSL both will get listed and both will have their own projections and future much of which Sapnesh already alluded to and explained and I'm sure more clarity will emerge as we go through this process. Based on that we do believe and that's how our advisors also believe and so have others we have spoken to that there is an opportunity for value unlocking for each of the two businesses. I hope we have answered your question. If not we would be very happy to have an individual conversation with you whenever you would like or provide you with more details. Thank you very much for your remarks. It's very encouraging for our teams to hear comments like this. It propel us into moving into faster or higher gear.

Moderator: The next question is from the line of Ashish Agarwal from Pareto Capital. Please go ahead.

Ashish Agarwal: Sir, I had a question on the growth aspect of the business. First, you mentioned about 2.5x growth for the CLG business and 5x growth for the S&C business over the next five years. Is this purely organic or have you also assumed some inorganic growth as part of this growth target?

Vijay Thadani: It is extending from where we are right now and right now we have included one acquisition which is already in and is consummated. If there are any more those will be additional. We can't anticipate the value of an acquisition before it happens.

Moderator: The next question is from the line of Kunal Vakharia from Kunal Vakharia & Company. Please go ahead.

Kunal Vakharia: Whether we are planning to tie up with any of the e-learning apps like Measure or launching similar apps anything in the future for better reach and strategic synergies and all?

Vijay Thadani: I think we have a very significant digital learning platform and we would like to grow that platform. Having said that we are looking at acquisition targets and alliances which can help us invest in ventures who can leverage from our learning platform and grow on their path. And those are some of the acquisition targets that we will be looking at.

Moderator: The next question is from the line of Saurabh Shah from AUM Fund Advisors. Please go ahead.

Saurabh Shah: A question for Sapnesh first. From the Corporate Learning business I think you mentioned somewhere about the value proposition for NIIT Life Sciences post Eagle and also the revenue visibility of 326 million. Could you just give us some idea about how the life sciences opportunity is expected to pan out and by what time the overall visibility of 326 million you think will kind of wind over revenues?

Sapnesh Lalla: Let me first answer the Life Sciences related question. When we acquired our Eagle Productivity Solutions which was almost three and a half, four years ago today, our revenue from Life Sciences was very close to zero. I think we had one life sciences customer at that time. Today, we have 12 managed training services customers in life sciences and they contribute 14% of our overall business. Obviously over these four, five years our business has grown quite significantly. From an overall perspective, the life sciences value proposition has become more significant and richer and we could spend more time separately on exactly what it is. But suffice it to say that in addition to the typical outsourcing value proposition that we offer non-life sciences customers, there are a number of specific life sciences related point solutions that we are also able to bring life sciences customers. These include but are not limited to implementation and training around the CRM packages they use, implementation of new product rollout related training and so on and so forth. So a number of point solutions in addition to the typical outsourcing solutions that we offer to non-life sciences customers. So a very rich product set for our life sciences customers.

Saurabh Shah: What is in dollar terms in Life Sciences, do you think in 2025 this could become like a $100 million opportunity from the current levels that you mentioned, can you just give us a sense of how large and significant this is for us?

Sapnesh Lalla: So like I said, today, it's about 14% and from a round numbers perspective we were at about 500 million five years down the road. It is possible for Life Sciences business to get to $100 million and 20% of the overall business. A lot of key opportunity predominantly because training is so important in life sciences. It's a regulatory and compliance related segment where there is a lot of mandatory training that life sciences folks have to go through. Also, a lot of constant change in life sciences. So it's quite possible that it could be close to $100 million in the next five years or so.

Saurabh Shah: The other question, Sapnesh, was on this $326 million revenue visibility that you have, what kind of life should we assume for this in terms of the current revenue and then what is the new revenue that you should continue getting, is there kind of broad timeline around?

Sapnesh Lalla: This visibility is across the period of contracts that we currently have. And I think we would be able to exhaust most of this in the next two to two and a half years approximately.

Saurabh Shah: My last question, Sapnesh, was on the professional outsourcing costs. They've increased 33% YoY. Just wanted to check is this because of you needing outside resources if you don't have and over a period of time should we expect this to come down?

Sapnesh Lalla: I think given the expansion we've had both quarter-on-quarter and year-on-year as well as the product mix that we see, there are times when we have to resort to contingent staffing to ramp up rapidly and then over time we reach a balance of contingent staff versus own staff. So at times of steeper growth we rely on contingent staff and then normalize it as things stabilize.

Saurabh Shah: As a percentage of revenue you would expect this to kind of be at these levels given that you will be growing or should we expect this to taper off in the next two or three years? This is expensive relative to your own people generally, right. So I'm just wondering from a major standpoint do we have any…?

Sapnesh Lalla: Not necessarily. I think these are carefully made choices. We bring on people on our roles very carefully when we have significant long-term visibility of those roles. Also, a lot of times when we have a lot of training delivery to do on diverse subject areas, we use contingent staff.

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

Vijay Thadani: Thank you, Margaret. Thank you very much for being here with us and sharing this exciting day with us today. We do know that this is the result season and at this time you have many other priorities as well, but thank you for giving your time. I think you made some very encouraging comments and some very interesting questions. Your questions always lead us to looking at ourselves further and even the corporate action that we have driven today is based on your past feedback over periods of time and I'm sure we will have your support in making that happen. Your encouragement will definitely help our teams to rise to the occasion even better and faster and hopefully we will be able to fulfill all the expectations that you have from your NIIT. So I would like to close this call now by thanking you and wishing you a healthy and happy new year.

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