World's Leading Skills and Talent Development Corporation

Q4 and Annual Results Conference Call

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MANAGEMENT:

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Moderator: Good Day, Ladies and Gentlemen and Welcome to the NIIT Limited Quarter Four and Annul Results Conference Call. As a reminder, for 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 would like to 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. Good afternoon, everyone. Welcome to this conference call to discuss the results of quarter four and financial year ending March 31st, 2018. This is a busy season for calls, so thank you very much for giving us your time. And we will I have everybody from the leadership team available here. So I will not introduce them now but as and when you ask them questions, they will introduce themselves.

But right now, without further ado, I think I will hand you over to Sapnesh Lalla -- Chief Executive Officer, who will take us through the results and then we can have a Q&A interaction.

Sapnesh Lalla: Thanks, Vijay. Good Afternoon, Everyone.

Thanks for joining. Before I begin, I must say that the numbers that I am going to talk about are presented as per new IndAS standards and not comparable to the numbers reported last year.

The analysis here, however, is on a like-for-like basis using the new accounting standards. Also, please note that Q4 is a relatively weak quarter for both the Corporate Learning Group as well as the Skills and Careers business. However, relatively stronger quarter for the Schools business.

That having been said, I did complete eight months this past month as the CEO and it is my pleasure to walk you through our Q4 as well as financial year 2018 results.

The Corporate Learning Group, which is now 65% of NIIT's overall global business has entered a higher growth trajectory in Q4 recording 28% growth on a year-on-year basis. We are getting into a phase of strong growth visibility in CLG and we think that we will sustain it over the next few years.

Our Skills and Careers business has been facing headwinds and both in IT and banking space for some time, this is visible in the headline revenue numbers. We have however, done selective cost conservation to enable this business to stay in black despite the negative impact of lower revenues.

Also, we have tried some experiments in the market over the last couple of quarters and are starting to see some opportunities for business to start growing.

Our Schools business is in the last leg of a planned ramp down to exit capex intensive and low return business in Government schools. We are now left with just one Government school contract which we will end over the next quarter or so.

There will, however, be some tail from that contract leftover, which will last for the better part of the year. There has been some regulatory uncertainty over the last several months which has delayed decision making by school managements in what is typically the strongest quarter in the private school's business.

Our Online business continues to grow in a substantial manner and recorded Rs. 60 million in revenue this year compared to Rs. 6 million last year. We believe that the growth in online will continue to gain momentum.

As we ended the year, we recorded better profitability our PAT was up 53% better liquidity; our net debt stayed flat approximately flat at Rs. 401 million in spite of the payments or the funds for the acquisition of Eagle Productivity Solutions.

Our operating ROCE was at 13.9% and that showed an improvement of 448 basis points on a year-on-year basis.

Taking you into details of our businesses. As I mentioned, Corporate Learning Group, which is now at 65% of the overall business, saw substantial momentum and grew at 28%. This business has entered a higher growth trajectory and we think that it will sustain higher growth levels over the next several quarters.

We have been seeing consistent growth of 14% to 15% in the Corporate business over the last couple of years and we now have strong visibility of faster growth over the next few years, driven by some of the large comprehensive deals that we have announced as well as to some extent contributions from the acquisition of Eagle Productivity Solutions.

Revenue in Q4 stood at Rs. 1,451 million, up 28%; 27% in constant currency. The financial year 2018 revenue stood at Rs. 5,183 million, up 14% year-on-year; 17% constant currency.

EBITDA in Q4 stood at Rs. 196 million, up 28% year-on-year. The FY 2018 EBITDA stood at Rs. 761 million, up 18% year-on-year with an improvement of 47 basis points compared to last year and this is in spite of headwinds from a FOREX impact perspective.

We signed five new contracts in Q4, 3 new logos, each one of them is a leader in their respective segments. One a leader in the office automation space, second a leader in factory automation, and third, very large IT products company.

FY 2018 we signed 15 MTS contracts, including eight new logos. As you can see from the momentum in signing contracts, our customers continue to put their trust in NIIT and continue to expect more from NIIT.

Our revenue visibility now stands at approximately $218 million, which is up 18% on a year-on-year basis. I am also happy to note that the Eagle acquisition is now fully integrated into the Corporate Learning Group and is now known as the application rollout practice focused on the pharma segment. Eagle contributed Rs. 176 million to our Q4 revenue.

Our Skills and Careers business saw a relatively weak Q4 as is seasonal. The business, as I mentioned before, has been facing headwinds both from an IT and banking perspective. Both have seen uncertainty from a hiring perspective.

The revenue in Q4 stood at Rs. 584 million. For the year, the revenue was at Rs. 2,669 million, down 12% on a year-on-year basis. The revenue is lower compared to what we thought it will be predominantly driven by a virtual freeze on hiring with some of the banks that we have deep relationships with.

In terms of EBITDA, in Q4 we rationalized people cost as well as created efficiencies in customer acquisition costs and that helped us overcome some of the negative impact of lower revenue. Our Q4 EBITDA is negative Rs. 3 million for the quarter whereas the EBITDA for the year is positive Rs. 36 million versus Rs. 46 million in FY 2017.

I mentioned earlier that we have tried a few new experiments and some of them are starting to take route. An exciting opportunity we have been pursuing over the last six months that started to take shape we call it Talent Pipeline as a Service.

As you are all aware, the competing landscape that our customers face today having a clear pipeline of skilled talented employees is a critical differentiator for them. One of the things that NIIT has started offering its customers is to provide them with Talent Pipeline as a Service. What that does is it enables our customers to move the responsibility of finding new talent, training them, onboarding them, as well as integrating them in our customers workforce and trust NIIT with that responsibility. We are starting to see our customers adopt this product and we expect that over the next several quarters this product will start to take route.

We are also launching a number of new products in key sunrise areas such as Data Analytics and Predictive Modeling, Full Stack Software Engineering, Accounting and Business Analytics, Banking & Finance and Relationship Management, and Digital Marketing and Branding. So overall, a number of experiments on at the Skills and Careers Group, some of them starting to take root, which show that there is opportunity for growth as we move forward.

As I mentioned earlier, our Online business saw strong traction. Compared to last year, revenues increased to Rs. 60 million compared to Rs. 6 million last year and for the quarter, the revenue was Rs. 18 million versus Rs. 4 million in the fourth quarter of last year.

For the Schools business, Q4 is seasonally the strongest quarter. However, it was impacted to some extent by the uncertainty due to regulatory issues specifically around adoption of NCERT curriculum at private schools. The revenue stood at Rs. 176 million, down 33% due to the planned ramp down of government schools' business. Excluding the Government Schools business, the private schools business saw revenue of Rs. 169 million.

For the full year, the revenue was at Rs. 593 million. The revenue from Go Forward business saw a growth of 2% on a year-on-year basis. The EBITDA was Rs. 40 million for the quarter and saw margins at 23%. This margin included on a one-time gain of Rs. 12 million for Q4. The Schools business signed up 317 new contracts in Q4 and 668 new contracts in the full year.

Coming back, from an overall perspective, NIIT's Q4 revenue was up 6% year-on-year at Rs. 2,228 million. The Go Forward business on a constant currency basis was up 10%.

For financial year 2018, the revenue was up 1% year-on-year at Rs. 8,505 million. On a Go Forward constant basis, for the year the revenue was up 6%.

From an overall operating perspective, I thought we delivered a strong operating performance. The EBITDA was at Rs. 221 million, up 22% year-on-year and for the year the EBITDA was at Rs. 746 million, up 11% year-on-year. EBITDA margin saw 130 basis points improvement and was at 10% for Q4. For the year, their EBITDA margin saw an improvement of 80 basis points and was at 9%.

Our net debt, as I mentioned earlier, was at Rs. 401 million versus Rs. 419 million last year. And as reminded earlier, this was after paying for the initial installments for the Eagle acquisition. Without the impact of Eagle, the net debt would have been at Rs. 245 million, so a substantial improvement from the same time last year.

Our DSO days are at 71 days versus 83 days in the last quarter. Last year at the same time, the DSO days were 74 days. Our CAPEX requirement continued to be low compared to the industry.

From an overall profit after-tax perspective, as I mentioned earlier, our PAT was at Rs. 625 million for the year, up 53% year-on-year. For Q4, the PAT was at Rs. 197 million. Our earnings per share for Q4 was at Rs. 1.2 for the year, it was at Rs. 3.8.

That would be the end of my prepared comments. I would now invite all of you to ask us questions. Your questions are always welcome, and they help us gain insight into our own business and help improve it.

So, Margaret, if you could open lines for questions.

Moderator: Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Nisarg Vakharia from Lucky Investment Managers. Please go ahead.

Nisarg Vakharia: Sir, I wanted to ask you that we have reported 15% EBITDA margin in the Corporate Learning business in the past. Has there been drag on the EBITDA margins because of incorporating the Eagle acquisition?

Sapnesh Lalla: I think from an overall perspective the Corporate Learning group margins tend to buffet between 14% and 15% and that is something that we have said in the past. From an overall year perspective, I think the Eagle margins are also going to be in the same ballpark. However, Q4 typically tends to be a low quarter from a margin perspective for the pharma business. Also, in Q4, we saw a little bit of an adverse foreign exchange impact. But on a overall year-on-year basis, I would say we would stay at the 15% range.

Nisarg Vakharia: Sir, do we have any sort of operating leverage or delta kicking into EBITDA margin expansion as we go towards this higher-teen growth for the next two years?

Sapnesh Lalla: I think, it is a very good question. In normal circumstances, you would expect improved leverage. However, as I have mentioned in the past, we have made the choice of reinvesting in sales and marketing so that we can continue on a high growth trajectory and that is really what we have been doing over the last few years and it is been showing good results. So, we expect to continue the same.

Nisarg Vakharia: Sir, my last question is that the depreciation annually has come down because of better capital allocation. What is the sort of depreciation number that we should be looking at for FY 2019 and FY 2020 which is Rs. 40 crores per year as now?

Sapnesh Lalla: Yes, you would see it in the same range. You would not see the range change very dramatically. I think it will be in the Rs. 40 crores to Rs. 45 crores range.

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

K. Poddar: Your investment in NIIT Technologies I mean, the price has gone up quite substantially. Is there any move on the divestment front? That is number one. And number two, this time you had some operational profit. Why did not you declare any dividend?

Sapnesh Lalla: On the NIIT Technologies front I would let Vijay answer that question.

Vijay Thadani: I will answer both. So, first of all, on NIIT Technologies front, it is a standard question. It has a standard answer that when it is appropriate time we would be able to inform you. I do not disagree with you that the NIIT Technologies has performed exceptionally well and patience has been very well rewarded, and the stock is also doing well. The earnings ratios have now caught up, though still undervalued compared to what the potential of the company is. But having said that, I think by holding on to the stock, I think all our shareholders are also are gaining at this point of time. But at an appropriate time, you would be able to discuss that because I do not think at this time there is any plan which can be shared. The second part was on dividend. Once again, the fact that we have our NIIT Limited standalone in positive means that we are getting dividend ready. But as we had mentioned before, we are in the investment phase of the transformation and now we are reaching the end of that. So I think in times to come, we should be able to get the dividend part restarted. This year the profit is very small but yet it is important. It is about Rs. 5 odd crores of net profit but I think in the coming times when this profit will also increase substantially with the changes that we have made, I think we can look forward to getting back to the dividend cycle.

K. Poddar: Can it happen in the next year? Can we expect dividend next year the way that things are progressing I mean?

Vijay Thadani: Many factors will have to contribute to that.

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

Ganesh Shetty: And I offer my deepest condolence for the departed soul of Shri Prakash Menon who was with us since the inception of the company. And as the SNC business is going through a transformation change as well as many new businesses, many new courses are also coming, and the traditional IT business is also going offline. So how the leadership is going to be in the coming months? Can you please elaborate?

Sapnesh Lalla: Sure. First of all thank you for participating in the grief. As you could guess, everyone at NIIT is deeply saddened by Prakash's untimely departure. It is been cruel for all of us at NIIT. He was also the architect of the experiments that we have tried out and was leading a number of initiatives to transform the business. As you may have known, NIIT as an organization has deep management depth and we are in the process of creating a transition plan which will enable us to not only continue some of the transformations that Prakash had started but also bring them to closure and start monetizing some of the things that he had started. So as you pointed out, many transformations started, none of them will lose steam, and that is what he would have expected as well. I think the show will go on. NIIT has a strong management team and I think number of folks will step in to fill the void.

Ganesh Shetty: Thank you very much, sir for that reply. And my question is regarding our B2B business as far as India corporate business is concerned, what is the growth over there and how will you see the way forward, sir?

Sapnesh Lalla: I think, in a great way the India Corporate business as well as the India Career Education business are linked because at the end of the day both of them thrive in a strong employment market and both of them see headwinds when the employment market sees uncertainties. So the Corporate business also saw headwinds just as the Career Education business saw. And I think the experiments that we are doing cut across both of these businesses and we feel that some of the things that we are starting out will give growth opportunities for both of these businesses.

Ganesh Shetty: And sir, my third question is regarding the School business in Go Forward basis enough number of contracts, new contracts for the year and also the present quarter. But as far as revenue is concerned, the revenue growth is not as expected as we have thought. So can you please elaborate this point, sir?

Sapnesh Lalla: I think you are right. While we added school contracts however, we did not add as many as we were expecting to add due to the uncertainty that we saw from a regulatory perspective. I think to some extent there was confusion on whether adoption of NCERT books was necessary or not necessary, whether it was mandated or not mandated. And that pushed out some of the decisions. Having said that, we did expand our curriculum in a very substantial way and that will give us an opportunity to offer more complete solutions to our School customers and thereby increasing our share of wallet with those customers.

Moderator: Thank you. The next question is from the line of Ruchi Burde from BOB Capital Markets. Please go ahead. Ruchi, your line is in the talk mode. Can you please go ahead with your question?

Ruchi Burde: I wanted to get more comment on Corporate Learning solutions. So, with the acquisition and the RECO deal will have decent growth visibility for next two years but how do we see growth momentum in the underlying native business over the next two years?

Sapnesh Lalla: I think you pointed to the answer to that question. Not only do we have visibility from the RECO business we also closed three new customers and extended two others this past Q4. From an overall perspective, we added 15 new contracts in the last one year and that is substantially higher than the number of contracts we had added the previous year. All of that is to say that more and more organizations are looking at learning outsourcing as a viable option and they are starting to put their trust in NIIT to make that transformation come through. So given that, we expect continued acceleration or continued high performance by the Corporate Learning group, higher growth trajectory. Eagle acquisition, while not a huge one from a revenue perspective but from a capability perspective a substantial capability which is required by most corporations that we work with and that will add to the growth rate as well. So, from an overall perspective, we see CLG continuing in higher growth orbit for the next few years.

Ruchi Burde: Secondly, largely on the accounting bit of does the reported revenue visibility number contain revenue that we expect from RECO contract?

Sapnesh Lalla: Yes, it indeed does because it is one of our contracts and the visibility does include numbers for RECO.

Ruchi Burde: And the RECO was one of the benchmark deals that we concluded and from next financial year it would start contributing to the revenues. With that background, how did we fare in getting more business in Canadian market if you could throw some light?

Sapnesh Lalla: We have added a couple of customers in Canada, not very significant yet, but we have added a few customers in Canada. And however, right now our focus from Canada prospective is to ensure that we do the transition successfully so that we have no risks with respect to moving forward to the revenue phase of the RECO contract. We look Canada as a market just as we look at United States as a market but compared to the United States, it is a much smaller market.

Ruchi Burde: And lastly, now for this RECO contract, how should we look at revenue flowing through? Would it be a sharp bump-up or it will be gradual pick-up in revenue?

Sapnesh Lalla: I think in the first, so it will be gradual. It will take about a year to five quarters - six quarters to reach stable state and after that we expect that it will get to stable state. It will start delivering revenue from July of 2019 and from July onwards sort of a transition period of revenue increase will start and it will take about four quarters - five quarters from July to start reaching stable state.

And, of course, once it starts, it will almost appear as a step jump if you looked at year-on-year performance.

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

Prakash Buva: I have got three questions to ask. One is about the Skills and Careers. Sir, we have launched some six new products last month in the market. How is the response at branch level and at the students' level for those courses because there are new courses in artificial engineering, machine learning, digital marketing, finance and other areas. So how exactly is the response of that I would like to understand. And second question is about China growth. Could you throw some numbers properly on the China growth? The number of students or number of universities or amount of revenue can we expect from export market in China market. That is very important. And thirdly, about the Schools business, there is a good addition of number of schools but when exactly the profitability will go up from the next quarter we drop out there one single school and we have added the number of schools. So what kind of bottom-line or margins we can expect in Schools business? Actually, the Schools business has not been successful for many of the companies in the past. So what is going to be the NIIT differential in that in the Schools business to make more profit and distinct? So Skills and Careers and Schools will be really also driving forces for the future growth I think? Please thank you.

Sapnesh Lalla: Thanks for your question. I would say that, like I pointed out earlier 65% of NIIT's business is corporate business. So, the major driver for growth and profits will continue to be the Corporate Learning Group, which as I have mentioned earlier, has reached a higher trajectory of growth. And while Schools as well as the Skills and Careers business we expect to generate profit, but the biggest driver of growth and profit will continue to be the Corporate business. That having been said, to respond to your first question in terms of new products we are in the process of releasing five new products that I mentioned a little bit earlier. These five products will go into key test markets starting early June. And in the market research that we have done as well as the focus groups that we have done, we found good acceptance for both the products and the contents of the product. However, to complete the answer to your question, we have not rolled those out to the students or to markets yet. That activity is planned for early June. In terms of China, China contributes about 8% of NIIT's revenues. It is a growing market for us. Today, we operate in 15 large universities in China and our goal is to grow the number of universities that we participate in, in China. And I will get to the answer to the next question and then I will back on the growth numbers for China in a second. I think on Schools your question was how do our products differentiate in the market? I think the key differentiator for us has been our ability to create and accelerate academies outcomes. And I think that really is what our customers choose NIIT for. When they compare NIIT with others, they find that if academic outcome was what was important for them, the NIIT curriculum offers that better than anyone else. The second key area of differentiation for us is our Practice Plus platform. It is a platform that our school students are able to go to from their homes or from wherever they are either from a laptop or a mobile phone and practice concepts and try out assessments on concepts that they learned in school. Today, we have almost 200,000 students who are registered users of the Practice Plus Platform and over 600 - 700 students spend over half an hour every day on that platform. So those are two key differentiators for our Schools business. The third thing like I mentioned, which is the driver of profitability really is the new curricula that we added in this past quarter. By adding those curricula, we are able to take more product more curriculum to the school and increase the share of wallet with our schools.

Prakash Buva: So do we expect a very bright performance for Skills and Careers after introduction of these six courses that you have done by now by June they will start?

Sapnesh Lalla: I think our hope is, our expectation is that we will start to see growth in the Skills and Careers business both based on improved operational excellence as well as new products both in terms of the product that we talked about just now as well as talent pipeline as a service product that I spoke a few minutes ago. To complete the answer on China, our revenue was up 14% year-on-year this past year and we have been on a double-digit growth pattern last year as well.

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

Rahul Jain: Yes. So firstly, on this revenue and earning model, if you could tell us on the TPaaS initiative that you have started?

Sapnesh Lalla: Sure. To provide a little more color on it, most large organizations have a large team, which is focused on talent acquisition and another large team that is focused on training, and then another large team that focuses on resource management and making sure that the folks who join the organization get integrated and get deployed. A number of organizations are looking at models where they can variabilize this activity makes it more efficient and more than that make it more effective. So a number of our customers are starting to work with us where they move their responsibility of creating a talent pipeline, acquiring talent, training them, on-boarding them and then integrating and deploying that talent into their workforce. What that does is it enables them to free up substantial management bandwidth and also work with an organization who can do the same activity in a more efficient and effective manner.

Rahul Jain: Okay. So are the big teams that they are engaged in this kind of activity the core management team or they have a separate department? And, if it is a separate department like an HR department then if we win a deal, do we absorb the current workforce of that organization to begin with or they are assigned a different role in the organization and will take up this initiative?

Sapnesh Lalla: So our customers at the corporations, which we work with, tend be the HR side as well as the business side. Like I mentioned, the process starts with planning for talent acquisition then on boarding the talent making them skilled to be able to do the job and then to get them deployed so it spans across HR as well as business and resource management that having been said, what it enables these organizations to do is to move the attention of HR from just acquiring new talent to enabling the existing talent to do more and to do better. So normally these deals do not result into rebadging of HR folks into NIIT.

Rahul Jain: Okay, got it. So will this be part of Corporate Learning or Skill because I mean it has blend of both?

Sapnesh Lalla: You are right. It has a blend of both and we have teams from both sides of NIIT coming together to make this successful for our customers.

Rahul Jain: So from a reporting structure point of view, when we start getting reasonable revenue here where it would feature?

Sapnesh Lalla: In the SNC.

Rahul Jain: Okay. And so if you could give a broad color in terms of the Go Forward business what all constitute in your opinion today in that piece and individually if you could spare some thought on that?

Sapnesh Lalla: I think as we look at our Go Forward business, we do not foresee taking on large contracts which have high CAPEX involved. These used to be contracts with government in the past which involved system integration work, putting in hardware, and so and so forth. We do not anticipate doing those projects on a Go Forward basis.

Rahul Jain: Okay. And on the tax rate, why this number is very high compared to the PBT, any reason you could change this?

Sapnesh Lalla: I am going to request Sanjeev Bansal, who heads the tax side of NIIT's Finance organization to answer your question.

Sanjeev Bansal: This is Sanjeev Bansal. So tax rate as compared to previous year is higher on a number of perspectives that it includes the DTL part of the dividend was of the income from NIIT Technologies, which is an associate company. So this is required as per the new accounting framework under IndAS that the profit earned by associate company we have to create a deferred tax liability on that profit.

Rahul Jain: So my question is if I see the release, we have a provision of Rs. 20 crores as against PBT of Rs. 17 crores. Does this include any component related to the associate share also?

Sanjeev Bansal: Yes, this includes that as well.

Rahul Jain: So what could be the tax in this provision towards the core business?

Sanjeev Bansal: So that is Rs. 60 million, out of Rs. 20 crores, Rs. 60 million is towards the core business, Rs. 6 crores.

Rahul Jain: Okay. Got it. So that is roughly around less than 30%.

Sanjeev Bansal: Yes, that is right.

Vijay Thadani: Besides this Rs. 66 million on the core business which has an operational PBT of Rs. 177 million and Rs. 135 million is out of the non-associate profit, just to give you the exact numbers.

Moderator: Thank you. The next question is from the line of Nimish Shah from Emkay Investments. Please go ahead.

Nimish Shah: So sir, what will be the effective operational tax rate going forward since there was a one-off DTL this year?

Vijay Thadani: No, no, it is not DTL will always come whenever there is associate profit. So it is not a one-off event. I will explain to you if we get a profit of right s100 from associates then on those Rs. 100, Rs. 20, that is equivalent of dividend distribution tax is the notional tax which we get in the provision for taxes, assuming that the whole profit will be dividend out. That is the new accounting standard. You will see that in every company which is following IndAS.

Nimish Shah: Okay. So the operational taxes should be at same levels going forward as well?

Vijay Thadani: Yes. The operational tax rate is about 30% it will perhaps reduce a little, but it will be in the same range.

Moderator: Thank you. The next question is from the line of Ankit Kohli from Pure Research. Please go ahead.

Ankit Kohli: Sir, so all three of our businesses are kind of moving three business segments are moving in different direction. So Corporate Learning is clearly on upward path, SNC is sideways and then there is of course Schools which is in a ramp-down. So based on this, I have some questions on the subsegment level but as a broad level, can you share what according to you should be our top-line and bottom line one year out and maybe three years to five years out, where do you see that? Because there is too many moving parts to be able to assess the business completely and given that you are closer, can you throw some light on that?

Sapnesh Lalla: I would start by saying that I think the three businesses are not going in different directions. I think both our goal and direction as well as the reality is that the three businesses are moving in the same direction. Our goal, of course, is that all three businesses show growth. If you were to look at the Schools business, the Go Forward business has seen growth though muted because of uncertainty but it has seen growth. The Skills & Careers business has seen headwinds. However, our effort is to ensure that it gets into growth over the over this fiscal year and like you pointed out, the Corporate business is continuing in its growth path and actually is in a higher growth orbit as we go ahead. So, from an overall perspective, I see growth continuing for the Corporate business, the Skills and Careers business starting to see growth over this year and the Schools business which had seen growth over the last few years on a Go Forward business side continuing to see some growth on the Go Forward business.

Ankit Kohli: So can you quantify that? I am not looking at any exact numbers here but where do you see the business ending from a top-line, bottom-line perspective in one year or three years because I understand you are looking at Go Forward but ultimately shareholders look at consolidated numbers. That is what kind of gets accrued to them. Where are you kind of looking at ending the next year or may be three years out or whatever it is that you have in plan?

Sapnesh Lalla: Sure. As we have done in the past, I am going to provide guidance across different businesses and I guess you guys are much better in math than I am, so you can figure out what that means from an overall perspective. Like I said earlier, CLG has entered a higher growth trajectory and we see a sustained early 20s growth for CLG over the full year. We expect the margin to remain more or less in the same range as it is today maybe a little bit of improvement. In Skills and Careers business, as I said earlier, for the year, we expect single-digit growth. We are hoping that we will start seeing growth over the next couple of quarters. I did not specifically want to create great expectations on growth but as I said, we can start seeing growth in the next couple of quarters. In the Schools business, despite uncertainty in terms of which way the Government is going to decide on curricula and books, we still feel that we should be able to get single-digits margins on the Go Forward business.

Ankit Kohli: Okay. Thank you, sir. Now, coming specifically to the two segments on School and SNC. On Schools, this segment per se has been very badly beaten down not just within NIIT but because of Government regulation change, curricula change and also you mentioned that you have online apps so does Byju and other players who offer at various stages. Now the point is, do you see that this business is ever going to be significant or big and do you see merit in retaining this business within the organization? You know because the competitive density and poor economics of this business across the nation for multiple reasons more reasons than one has been very-very weak. So what is it that we are really bringing in? You say that there is online apps and then you say that there is better performance of the students when they read, they are kind of choosing NIIT. How do we quantify that? How does it translate into a more competitive advantage at the ground level? Just the evidence across industries points to otherwise. And I am just trying to understand how do we plan to kind of do a much better job of it than anybody has done given the weak regulatory and supply environment in this particular segment?

Sapnesh Lalla: So I would start by saying that the Schools business is about 5% of the total NIIT business. And while it is 5% of the total NIIT business, we see opportunities across the board and those are the opportunities that we have been chasing. Go Forward business as I mentioned, has seen growth. We are able to continuously add new schools to our list of customers. And as I said, the focus is on achieving better academic outcomes for our students. That having been said, there are opportunities in front of us and as we look at those opportunities, we will make decisions but from an overall perspective we think it is a growth opportunity. We are seeing growth at least from a Go Forward perspective and we will continue to push to see how we can grow faster.

Ankit Kohli: Okay. So you still feel that investing capital in this business is kind of wise from getting returns perspective?

Sapnesh Lalla: Well, actually, like I said earlier, we are out of the capital-intensive business. The Go Forward business is an IT business which is not as capital intensive as the Government Schools business was of the past.

Ankit Kohli: Understood. And now on the other segment, which is the SNC segment. So, of course, banking and IT have been the core clientele that you have here. So you mentioned that you expect a pickup in a couple of quarters. Is that based on any discussions that you are having with your clients? And secondly, are we looking at, maybe aggressively looking at either other kind of solutions or other industry verticals to target within this particular segment because this seems to be a segment which will have good demand runway in the future as well so whether it is horizontally or vertically, it will probably add a lot of value to invest in this. So what are your thoughts there in the short-term demand and also in the long-term how do you going to see this business growing out either vertically or horizontally?

Sapnesh Lalla: Sure, that is a great question. And I think you asked two questions or three questions so in case I forget one do remind me. I think the first question was, have we had discussions with our customers to come up with new products? Absolutely, the Talent Pipeline as a Service was a product that was built along with one of our key customers. We operated it for a few years, looked at perfecting it and then starting to scale it. And this is something that is part of NIIT's is DNA we work with our customers to build products so that we do not have to make mistakes on what we are focusing on. I think your second question was, are we broad-basing ourselves, both in IT as well as the BFSI? So absolutely, I mean if you think of IT, IT is not just programming. IT is across many disciplines, across digital marketing, across full stack development, across data and analytics, across creating predictive modeling, across machine learning, artificial intelligence and so on and so forth. So you will start seeing full stacks or full curricula around each of these areas. So, yes, we are broad-basing in IT. As well as while in the past we had focused predominantly in banking because that was a sector that was growing substantially, we are broad-basing that also to BFSI. So you will see us taking on customers in insurance as well as in the financial services space.

Ankit Kohli: Okay. And any plans to venture beyond the broader IT and BFSI space or you feel that is where we want to grow?

Sapnesh Lalla: I think our overall thinking is to broad-base ourselves. We have been working with organizations who have large distribution channels, who are in logistics so the typical way we work in India is we start working with customers who understand the requirements to see how we can custom build solutions for them and then over time, as we broad-base our customers in a particular segment, we start generalizing our solutions and start to see if it makes sense to productize them. So you are right, we are, and we do consider opportunities to productize our solutions each year. This year, as I mentioned, we are broad-basing IT as well as moving from banking to BFSI over the next few quarters you will see us do more of that.

Ankit Kohli: All right. And finally, based for the existing work that we are doing you mentioned that a couple of quarters down the line you will see some pick-up happening. So is that based on some real discussions with the clients in terms of hiring plans in the IT and BFSI sector?

Sapnesh Lalla: Indeed.

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

K. Poddar: See, my question is with regard to monetization. You have talked about the Practice Plus for the school learning solution that is a B2C product as per my understanding. Are you able to earn revenue out of it from the students?

Sapnesh Lalla: So, first of all, it is not a B2C product. It is a B2B product. As you are aware, we work directly with schools who in turn provide access to our curriculum to their students. However, the students are able to access the platform from their homes are now I think what you are alluding to was that is there a monetization possibility where those students might buy more from the platform than what the school offers. I think that is a potential opportunity or one of the opportunities that I was alluding to in my response to the earlier question. So, yes, there are opportunities and we look at them very carefully and see when might be the right time to monetize it.

K. Poddar: Okay. And this Talent Pipeline as a Service I mean who funds the candidates whom you are building up in such talent pool? The companies themselves or how does it work?

Sapnesh Lalla: So right now, we have customers across all different modules there are some who had customers pay for the service, there are some which the student pays for the service and then there are some which are hybrid where both pay for the service.

K. Poddar: Okay. Is this akin to something like a bench in case of IT service companies that there is some people on the bench, instead of taking in the company's payroll, they are with you, is it like that?

Sapnesh Lalla: This is not recruitment process outsourcing, if that is what you had in mind.

K. Poddar: Okay.

Sapnesh Lalla: Yes. I think let me try to say it again. I tried to explain it earlier. What organizations want to look at is a method which gets them to talent as and when they want it and they expect that talent to be ready to be deployed. One way of doing that is to focus predominantly on lateral hiring which some organizations do but that is not how India has grown. I think India has grown on the back of bringing fresh talent, which is just out of college, into corporate life and then training them and making them billable. I think what organizations are starting to look at doing is instead of going to campuses, bringing armies of recruiters to campuses, recruiting large numbers of people in the June - July - August timeframe and then bringing all of them onto their payroll and over time start deploying them. What they are looking at doing is working with someone like NIIT who understands education, who understands on boarding, who has a clear sense of what skills are going to be relevant for a person to be deployed and then they say, "hey! in the first quarter we expect so many people to get deployed, in the second quarter we expect so many people in so many roles to get deployed and then ensure that NIIT takes on the responsibility of fulfilling that task." In the past, they have done it themselves I think now they are starting to see viable alternatives and these alternatives enable them to have their management team focus on things that only they can do.

K. Poddar: Okay. I get it. And how do you bill them? What is the way they are billed on in terms of number of students, monthly salary or how do you get the revenue out of it?

Sapnesh Lalla: Not really. It is a transaction every person who gets deployed is a transaction.

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

Nisarg Vakharia: Sir, coming back to your Corporate Learning business Rs. 17 crores is what was added by the Eagle acquisition. So, we have grown at 10% organically from FY 2017 to FY 2018. Is that correct?

Sapnesh Lalla: Yes. On a INR basis, however on a constant currency basis or in dollar terms it is higher.

Nisarg Vakharia: It is higher. Now when I include the acquisition, this Rs. 145 crores quarterly run rate has the potential to grow at the high-teens or should I remove the Eagle acquisition and take that growth rate?

Sapnesh Lalla: I think like I pointed out, Eagle has become the application rollout practice for the pharma segment at NIIT. So I do not think it makes sense to separate what Eagle is doing it is fully integrated in NIIT.

Nisarg Vakharia: Okay. So when we talk of revenue growth, we are talking of the entire Rs. 520 crores revenue to grow at high-teens for the next two years?

Sapnesh Lalla: That is correct.

Moderator: Thank you. The next question is follow-up from the line of Ruchi Burde from BOB Capital Markets. Please go ahead.

Ruchi Burde: My question is on Skills and Career segment. So for several quarters you have been running a very tight ship on the cost front despite having bleeding top-line, we have been able to manage a profitability though not really high but still not in the negative zone on annual basis. So, going ahead, how much more leeway we have in terms of I mean adjusting cost if the demand where it will not pan out in the way we expect?

Sapnesh Lalla: I am typically not a pessimist. So what I would say is it is hard to do cost control but we have been successful so far. Our goal, of course, is to create a mechanism so that that business starts growing.

Ruchi Burde: Okay. Let me put it other way, are we confident about being in the positive zone on profitability in Skills and Careers group irrespective of how the top-line performance is?

Sapnesh Lalla: See if the bottom fell out of the business, obviously nobody can guarantee that but like I said, we expect to start seeing growth and therefore profit to continue in the coming years.

Vijay Thadani: Other way of answering this question would also be that we have been able to variabilize a large portion of it so therefore it continues to be higher operating leverage business, but we have been able to variabilize it quite a bit.

Sapnesh Lalla: Did that help?

Ruchi Burde: Yes, that is helpful.

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

Sapnesh Lalla: Thank you, everyone, for your questions. Your questions were insightful, and they push us to look at our business from different dimensions some very unique. So, thank you very much for taking time out from your busy schedules. In case you have further questions, do direct them to Kapil Saurabh. We are also going to be in Mumbai early next week and I think, we are going to be meeting with some of you to have more detailed conversations. But thank you for taking the time today and I look forward to meeting some of you next week.

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