

"NIIT Limited Q3 FY17 Earnings Conference Call"

January 20, 2017

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CHAIRMAN

MR. RAHUL PATWARDHAN - CEO

MR. ROHIT GUPTA - CFO

MR. SAPNESH LALLA –PRESIDENT - CLG MR. PRAKASH MENON – PRESIDENT - SNC MR. GAVIN DABREO – PRESIDENT – SLG

MR. UDAI SINGH - PRESIDENT



Moderator:

Good day, ladies and gentlemen and a very warm welcome to the NIIT Limited Q3 FY17 Earnings Conference Call. 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 would now 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:

Good afternoon. Thank you very much for joining the call this afternoon. We are here to discuss the quarter 3, which is October to December 2016 results. And I have with me the whole leadership team as well as senior leaders from the Board as well. Before I hand over to Rahul Patwardhan – the CEO, who would take us through the results, just wanted to mention 2 or 3 points. Number one, that quarter 3 traditionally, given the seasonal nature of our business, is the weakest quarter and therefore we always do a year-on-year comparison in quarter three. The second, this quarter three has been particularly volatile. All of us have experienced difficulties as well as the changes which have taken place in the environment and those would obviously have an impact on any organization. And the last thing I want to share that the underlying fundamentals of the organization continue to remain strong and the growth direction that the organization had taken, it is well on track as far as that is concerned.

So with those words, I would just like to hand over to Pat, Rahul Patwardhan, to take us through the quarter 3 results as well as an analysis of each business. And then we will open it up for question and answers.

Rahul Patwardhan:

Thank you, Vijay. Good afternoon, ladies and gentlemen. As you can see from our results, this has been a challenging quarter for us. But what I do want to emphasize is that when we see the totality we need to look into the details. And what I will seek to do in this call is to explain each part of the business and how it is doing, so that you can understand very clearly what is behind the numbers that we have obviously presented for the quarter. So the first thing I want to emphasize is that, our strategy and plans that we laid out at the beginning of the year remain completely what we are focused on. The short-term impacts that we have experienced in this quarter are really external impacts. They have no bearing on the long-term strategy of the business and therefore we remain focused on our plans and strategy. We have faced significant environmental impact as far as the retail business in India is concerned and that is something you would have seen from most of the companies playing in the retail space in this market. Having said that, we see this as a transient phenomenon. We are already seeing the situation improving in December and January even further, though we will see some impact in quarter 4, but overall the trajectory is coming back to the normal in this business.

Before I go into the numbers, I just want to highlight some of the key things that have happened this quarter in terms of our overall business. So the corporate business we have had a very strong quarter in terms of customer acquisition. We had three new logos added in this quarter, two of them being MTS customers. We have also had one substantial extension along



with scope enhancement for one of our large customers. And in fact, if we look for the nine month period, this has actually been the most successful nine-month period that we have had for many years in terms of overall customer addition etc. Our revenue visibility has gone up 13% over last year. Our order book has also gone up about 12%. We continue to win all the awards in the corporate learning space and now we have added on an award in the UK which is a very significant award.

And most important, our pipeline continues to be substantial and strong and we therefore feel, we can clearly see that our momentum will continue to move forward as expected. The new baby on the block, this is our new commercial training portal, which is training.com, completed its first 100 days at the end of quarter three and in this very short period we built a portfolio of 23 products, high quality, high priced products. These include five marquee executive training programs from IIM Calcutta. We have been able to get more than a quarter million visitors to this site in the short period. More than 300 people have enrolled or applied for our various programs and done booking and the total visibility of revenue from these people is already to the tune of about 2 crores in a period of 100 days. What is also very important is all the students who have registered on this portal, the attendance rate for all the online questions is 96% which is quite unprecedented in the online training sector and the feedback that we are getting from all the students is very high at about (+4.5) on a score of 5. So it is a very good start, very small. But this is a commercial portal. If you recall, NIIT TV was our free portal. So this is completely different from what we had launched a year back.

The other important thing was that our China business bagged our largest ever contract in China with the city of Guiyang, which also happens to be the fastest growing city in that country. It is a deal worth 60 million Renminbi over three years and we have chartered through train more than 2000 people and this time unlike the university student contracts that we had in the past, the focus is on government employees and on corporate employees.

The fourth area that I want to talk about is the DigiNxt portfolio. As you recall, we launched this new DigiNxt retail portfolio towards the end of quarter one and we were basically replacing a large part of our IT curriculum with this portfolio. This portfolio has exceeded our expectations in terms of growth and traction and this is in-spite of the cash difficulties that we have experienced in quarter three. We have already experienced more than 2000 enrollments in the high-priced programs and today, from a start in May when we were launching this program only in 29 of our 282 centers, now they are available at 75 out of the 282 centers. So good progress in this and Prakash would probably talk more about the progress in this area.

Now I will move on to the numbers. Our Corporate Learning business grew 18% CYD for 9 months. It also grew 18% on constant currency for 9 months. In quarter three, our constant currency growth was 14%. Our INR growth because of the pounds grew only at 12%. But overall, we are well ahead of our year beginning guidance which you recall was 15% for this business. On EBITDA, we dropped a little bit on our EBITDA for this quarter. There is a very specific transaction which has contributed to this. One of our customers who has been a



customer for 15 years, very good customer of ours, very positive, very good relationship, has gone through an external regulatory event due to which they have shut down their operations and that had an impact in the short run for Q3 revenues plus there was some amount of work that we were doing for them, which we out of prudence have taken full provision for and that is something that has had an impact on the EBITDA for this quarter. The combined impact of taking that provision as well as the reduced profit from the lower revenue from this customer contributes to the impact of EBITDA going down from 12% to 10%. This, again I want to emphasize, is a transient phenomenon because that provision is not going to be taken again. We also expect that our prudence will turn out to be something that we will get back some of that, if not all of it in the quarters going ahead and therefore a margin will track up back to 12% very quickly.

The Skills & Career business on the other hand is where the problems were faced. The demonetization impact was substantial especially in the first 30 days and Prakash will talk a little bit more about what actually happened on the ground. But suffice to say is, we have computed the impact of demonetization. There are 3 or 4 elements, the first is in the metro cities, where we have our own centers and some of our business partner centers, the enquiries dropped substantially in the first 30-40 days and they are still lower than the normal level, but they are coming back to level that used to be there before. But in the tier 2 and tier 3 and tier 4 cities which is much more heavily cash driven business, in fact our overall retail business is around 70% transacted in cash historically and our data clearly shows that the cash amounts dropped pretty substantially while the non-cash amounts remained roughly at the levels where they normally used to be.

The second impact that we have had was on our banking training business. We already had substantial orders on hand to train employees of many of the banks. For obvious reasons, almost the entire workforce of the banks were focused on only the single thing, which is manning the branches and therefore we could not execute on any of those courses or the majority of them, and that has had a direct impact on revenue for the quarter. So these two factors put together keeping in mind that we have a fixed cost base when revenue does not come through, there is a drop in revenue which is down to around 13% drop on revenue but that results in also pretty substantial drop on EBITDA given the fact that we have a high operating leverage in this business. We have computed that if the demonetization has had not happened, of course it is a theoretical exercise, we would have had substantial growth and substantial positive EBITDA, of course that is more an intellectual exercise given the facts and the realities on what they are. But most important is that we are very confident given the traction that we are seeing now that we will be back to profit and back to growth in quarter 4. Having said that, the exact quantum of residual demonetization impact in quarter 4 is little difficult to estimate, though we know it is definitely substantially lower than quarter 3. Therefore, I do not want to give a specific number, but we will be back to growth and back to profit for SNC in quarter 4.



The Schools business has done well. It is a smallest quarter for them. Having said that, they delivered all the numbers that were planned internally and in terms of the go forward business which is excluding the government business and excluding the asset based private school business, that revenue actually grew 46% year-on-year compared to the 4%, 6%, 13% Y-o-Y growth in the last 3 quarters. The Schools business moving forward well.

Overall, the combined impact of all of these has resulted in an 8% CYD growth for NIIT overall on the topline. If we exclude the non-go forward businesses which is the GSA and some international businesses that we exited, we have actually grown CYD 11%. So we are still double digit growth for 9 months on go forward business which is really the business that we are working on. Quarter 3, however, was a 2% growth primarily on account of the demonetization and the reduced revenue from that one customer in CLG. Our go forward revenue even for quarter 3 was at 7% - that is also important to note.

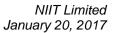
Our EBITDA for NIIT overall CYD is 7% and our EBITDA for quarter 3 is 3% and the primary impact is again mostly due to demonetization and the lower revenues of SNC on a fixed cost base and the provision that we took for that one customer in CLG and the slightly reduced profit because that customers revenue did not come through in Q3. Overall on net debt, we have increased net debt from 917 million to 1038 million, primarily this was because we had substantial payments that were to come in from the corporate business, in fact about \$10 million of payments came through just after the Christmas and New Year period which as you understand is the period where not much happens in Europe and the US. So this is nothing to be concerned about.

Our DSO days have increased from 83 to 98 on that account. Having said that, our DSO on overdue BR has actually gone down from 41 days to 39 days. I will stop here and now ask Sapnesh who heads our corporate business to make a few comments on the key events that have happened in the quarter and any views on going forward. Sapnesh, over to you.

Sapnesh Lalla:

Thanks, Pat. As Pat pointed out, it has been strong quarter from a business acquisition point of view. We added 3 new customers, but more important than that is we renewed and expanded 2 existing customers for longer contracts and one of them specifically who had gone through a merger event has renewed with us for the overall company and I think that brings greater opportunity for us. I think on the go forward basis, we continue to see substantial growth in business acquisition. We have already received confirmations from a few new customers who have agreed to become our customers, where we are in contracting stages at this point in time, so I continue to see momentum continue and increase as we go forward into our Q4.

As Pat pointed out, we had challenges in the third quarter predominantly around one of our large existing customers having to go out of the business or stop operations because of few regulatory issues that did result in a blip, but I think that is a one-off event. It is risk that you carry when you are in this business, but I think from an overall perspective, we see momentum continuing both in Q4 as well as past debt. I think that is predominantly what I add and then maybe if you have any questions, we will cover them in the O&A.





Rahul Patwardhan:

Just I would like to clarify that the customer that went out of business in this quarter, the revenues were under half a million dollars per quarter, so it is not one of our large customers, Sapnesh mentioned large, it is not correct actually. So the impact is actually not substantial going forward and can easily be recouped by the strong order book that we have. Prakash, I would like you to take us through few highlights of quarter 3.

Prakash Menon

Thank you, Pat and good afternoon everybody. Quarter 3, we saw our international markets continue to do well. In China, specifically we opened the largest NIIT center which will focus on big data. We also bagged an order of about 60 million Chinese Yuan as Pat mentioned. We now have a NIIT flag in Bangladesh and in Kenya, all those happened in quarter 3. India was, however, a different story. We had a tough quarter. We began well in October. We had a strategy in DigiNxt where we wanted to add to the product portfolio and we thought of looking at releasing products in IoT, Robotics and in Cloud and Virtualization. We had to pull back because we did not see November going too well. We found that our enquiries dropped by 30%. It was much higher in the network towns. Our banking revenues dropped by about 31%. What went well was that we still continue to grow in the DigiNxt series registrations which grew at about 52%. The certification business of ours, which is largely cash based business went down to almost zero and therefore the quarter is not looking good at all. But what we do notice is that from the last week of December and to the early days in January, we are getting back to the enquiries that we had projected and we do hope that quarter 4, we are confident and we will get back to this growth and therefore what happened in quarter 3 is tentative phenomenon. As Pat was saying, we did not know exactly what would be the last mile effect of a cash front, but we would get back to seeing growth in quarter 4. Thank you.

Rahul Patwardhan:

Thanks, Prakash. Gavin, if you could summarize the schools business in quarter 3.

Gavin Dabreo:

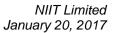
Thanks, Pat. Firstly, a Happy New Year to each of you on the call. On the schools business, it was our leanest quarter, but we did well and on all the internal metrics like Pat said, yes, the revenues is down but it is planned to be down, but our EBITDA is marginally up and in terms of actually the go forward business which is within the private school space, we have shown decent growth. We are 46% up year-on-year and in terms of number of schools too, we are up 34% from the previous quarter of FY16. So that is all from the schools business. We have done well and we look forward to quarter 4 because that is our peak period and we think we are ready to prove ourselves there.

Rahul Patwardhan:

Thanks, Gavin. Udai, would you like to take us through the progress on the online business?

Udai Singh:

Yes, thanks Pat. Good afternoon. I think for us the key thing was that, last quarter was the first full quarter where we had the entire platform ready and therefore the focus really was on adding products and we have grown that to about 23 products. We have taken a very conscious call at this stage to focus on products that are targeted at working professionals and are relatively keeping the retail business in mind, higher ticket value. And what we have been able to prove in this quarter is the end-to-end delivery from customer acquisition to a very high level of uptime as far as our delivery is concerned and what was also very satisfying is the high





level of participation of our students and the excellent feedbacks that we have got. What we really want to focus on moving forward is now expanding our product portfolio and partnering as part of our overall strategy of not necessarily building courses but increasing the range of partners while ensuring that with each area that we take, we do have enough coverage. Right now, we are focused on digital marketing as an area. We are focused on management programs for working professionals through our partnership with IIM Calcutta and we hope to expand that. What we are also going to do as we move forward is exploit the synergies with our corporate business particularly in India. So we expect to also offer the training.com platform to our corporate customers and do custom courses for them. So hopefully I will have more to share on that next quarter.

Rahul Patwardhan:

Thanks, Udai. Training.com obviously is a very important part of our strategy going forward for the retail business but also as a platform to increase our ability to service the corporate segment. I will now ask Rohit to talk a little bit about some of the financial areas as it happened in quarter 3.

Rohit Gupta:

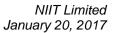
Thanks, Pat. Good afternoon. So finance focus for the quarter has been on net working capital management, interest cost management, collections, tax refunds and preparing for the regulatory changes. So this quarter, our interest cost was 15% lower. We had interest expense of 53 million as against 62 million and this was possible due to the lower utilization of working capital. We also had a positive other income of about 24 million which resulted from 1) an insurance claim that came through for one of our centers which had caught fire last year about 18 million and then coming to us on the income tax refunds that we have received. We also had a negative Forex impact of about 12 million during the quarter. The other highlight is that, during the quarter our CAPEX has been lower. So as against 124 million that we spent last quarter, the CAPEX this quarter was about 88 million. So overall net debt, Pat has already mentioned is at 1038 million, so higher than last quarter by about 120 million. But we expect that this net debt should improve from current levels in quarter four. Our focus in quarter four is going to be on collections from government and others and some income tax refunds that is also preparing for an implementation of IndAS and the GST as per the timelines.

Rahul Patwardhan:

Thanks, Rohit. I will just take one more of the leaders, because we have a new leader who has taken on the responsibility to support me on all the corporate management functions, essentially human resources talent as well as all the commercial functions, Arjun Shankar. Arjun is a long term NIITian. He has probably seen every business of NIIT including state and managed an international operation for some years. So he brings with him tremendous credibility across the whole company. Arjun, if you could like to talk a little bit about some of your early thoughts on the transformation that you are working on to support all the businesses.

Arjun Shankar:

Good afternoon everyone. I am very happy to take on this new assignment within the organization having worked in different parts of the business. We have had good action on the employee engagement front in the last quarter. We had the connect events happening both in India and overseas. We had a very successful employee satisfaction survey with near 100%





participation, 99.5 and in line with all the engagement activities, there has been a 3% point improvement with the employee satisfaction. The qualitative feedback is that the staff are rallying behind the new growth trajectory and the strategic actions in the company. In terms of transformational areas, we have started the ground work to improve the talent profile in the company especially for the go forward businesses which have a digital flavor, competency mapping and the talent acquisition plans for that are being done. And we are also going to be relooking at key aspects of the performance management system and the linkage to performance. So these will be the go-forward areas on which we hope to make significant progress over the next few months. Back to you, Pat.

Rahul Patwardhan:

Thank you very much. And I think now I would like to throw the floor open to questions.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Abhishek Kumar from JM Financial. Please go ahead.

Abhishek Kumar:

My first question is on the skills business. Pat, you mentioned both the retail and the banking training business were impacted due to demonetization for different reasons. So now I understand predicting the retail business going forward might be slightly difficult, but in the corporate banking training where we had an order book but we could not execute, from our earlier conversation with the corporate clients, do you get a sense that in the fourth quarter at least there could be some pent up demand that could play out, the training that could not happen in 3Q can happen in 4Q plus whatever was earlier slated for 4Q, both these things can actually take the revenue up in 4Q?

Rahul Patwardhan:

I guess given that these were confirmed orders, theoretically you are right. Having said that, this is a people based business and when a bank's training activity was scheduled over two quarters, it is impossible for them to compress and train double the number of people in one quarter because they still need to man their branches, they still need to man their operations. But yes, we are working to see how we can do that. We are benefited because some of these training programs are linked to firm deadlines of implementation of new version of Finacle, that deadline is not shifting. So people have to be trained by that deadline. So we are trying to find ways in which we can train a much larger number of people in a shorter calendar time and thereby achieve exactly what you said. I do not want to emphasize on the retail side, the impact of the cash crunch has substantially gone away. It is now much better than it was in the 30 days after 8th of November. It is still a little lower than what we would have wanted it to be or expected it to be in this quarter but enough to say that it reached levels where we are very confident that we will have growth in the retail business and profitability in this SNC business overall. So we are positive and confident that things are moving very much back on track.

Abhishek Kumar:

And just to complete the picture, will it be possible for you to tell us how much of the skills business would be India Retail, which was actually impacted adversely?



Rahul Patwardhan:

Well, if you were to take the entire business of NIIT, 66% is corporate, 8% is corporate India roughly so that was announced in our press release also 74% of our business is corporate, another 6% or so is schools. So we are talking about the balance is what we do in retail, in international and in India. Another 7%-8% is international. So we are talking actually about our exposure to retail is nowhere is large as many other company's exposure to retail which might be 100% and which is why we are seeing people reporting overall revenue drops of 20%-30% for the quarter, that obviously has not happened to us overall.

Abhishek Kumar:

That is helpful. Just want to understand the arrangement that you have with your franchise. If such kind of events happen, is there any cost or the benefit that you pass on to the franchise because the students did not come in or the royalty payments that they will have to make you, that is constant?

Rahul Patwardhan:

Well, we are obviously working very closely with our partner network to see how this is impacting them in the short run and wherever there has been need which has been understood and recognized, we are making appropriate arrangements. So sometimes we make available little bit of credit, but overall we have not seen huge request for credit in spite of this and the reason is that this is after all a smaller quarter compared to the big quarters of quarter one and quarter two.

Abhishek Kumar:

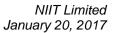
Next question is on CLG, you mentioned two contracts that we got and one extension, so if you could give some color in terms of what kind of towers we have sold or what kind of vertical geography etc., any color? And also in terms of some of the non RFP deals that we were focusing on earlier, any of those are coming through in the pipeline, we can expect anything in the next couple of quarters, that would be helpful? Thank you.

Rahul Patwardhan:

That is one correction. Three new customers and one extension/expansion. One of those 3 new customers was not an MTS customer, but it is a very substantial customer which could become an MTS customer later. I will ask Sapnesh to give a flavor of response to your question.

Sapnesh Lalla:

So, I may not have captured all the questions that you asked, but I think the first one was to provide a color on the customers that we did acquire this quarter. There is only so much color I can provide, but if you can see some hues, one of them is a large telecom equipment manufacturer among the top 5. Another one is a top commercial earth moving equipment manufacturers, again among the top 2 or 3 that there are and the last one is sort of a UN equivalent or one of the UN program equivalents. So all three are substantial in size where we have started is I would call them a medium level customer and our expectation is to perform well, deliver our expectation and then be able to grow each one of them. I think your second question was or I think you also wanted to know which geographies these customers are? I would call them really global customers. One of them is headquartered in Europe, the other one is headquartered in the United States but they are global operations, both of them have operations in more than 60 countries. So both of them are global and that seems to be the profile of a number of our customers. I think your next question, if I am right was how is Q4 looking as well as some of the non RFP opportunities that we were in? I think Q4 is looking





well, like I pointed out earlier we have received confirmations from a few new customers who will complete the contract signing during Q4. So what I can assure you is that, we will have more than one new customers in Q4. How many? I guess you will have to wait for a couple of months.

Abhishek Kumar: And about non RFP, any progress, comprehensive deals?

Sapnesh Lalla: Yes indeed, so interestingly enough, the two MTS customers that we did acquire this quarter

were non RFP customers and in our pipeline, we continue to see opportunities where we found a way of side stepping the RFP process by creating a trust based relationships with some of the

key buyers.

Moderator: Thank you. We will take the next question from the line of H R Gala from Panav Advisors.

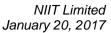
Please go ahead.

H R Gala: Hi Rahul, I think despite the odds I think we have performed reasonably well. Would you like

to revisit the overall annual guidance that you used to give us?

Rahul Patwardhan: Yes, as you recall we did not give an overall guidance. We gave guidance for the two main

businesses. We have indicated the corporate business would grow topline by 15% and EBITDA of 12%. And we had indicated that the SNC business would be single digit growth and single digit EBITDA and as you recall at the end of quarter two, we had lowered our guidance a little bit for the skills and career to low single digit growth in EBITDA. And we said that the corporate business will do little better than 15% and therefore the net impact will still remain roughly the same in terms of overall business since the school business is roughly tracking as per plan. What we see now is that our topline for corporate will clearly be well above 15-16, maybe 17 is where we should get to, it could be little better, it could be little lower, but it is definitely going to be above 16. The EBITDA because of the drop for this quarter of that one-off event, we will come up from 10% definitely and we will be back to 12% in a couple of quarters. We may be still little weaker than 12% in quarter 4. Having said that for that one customer provision that we have taken, if we discover that, we can reverse it because of a positive situation and we could be back to 12 in the next quarter itself but unlikely because this process takes a little longer than couple of months. But we will be back to 12 definitely in quarter one and we are working to see what we can do to improve our overall efficiencies to drive that even further for next year. We are right now in the middle of our strategic planning courses. The next two days we are sitting, the entire executive team, with the Board. There has been lot of work around how we want to improve growth rates as well as profits in the next year. So maybe sometime later, I will be able to share a bit more of the new strategic directions. It is not going to be a major change. We are talking about incremental changes because we believe they are on the right track. On the skills and career business, obviously the hit that we have taken in this quarter is very difficult to recoup for the full year. What we are hoping to ensure is that we will be positive in quarter 4 on revenue growth, positive on EBITDA and if we can manage to bring it to breakeven growth or rather flat





growth, I think that itself will be a substantial feet given the kind of hit that we have taken in quarter three.

H R Gala:

So going ahead, how do you see FY18 overall? I do not want any numbers, but just directionally.

Rahul Patwardhan:

So directionally, as you said before the 15-12 is something we feel confident, we will keep, being able to support for some time into the future, subject to the new strategic initiatives and the impact that they can have. On the skills and careers, as you saw we were tracking positively both on growth and on EBITDA and we will come back to that trajectory for sure from quarter 4 onwards and that trajectory as you see training.com in 100 days has already delivered us 2 crores of visibility on business and online business when it ramps up, it starts ramping up at very different rate from a brick and mortar business. So that stream of business would get added to the normal business. So we are looking forward positively to both the businesses for the next year.

H R Gala:

And how the school learning looks like?

Rahul Patwardhan:

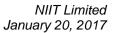
The schools business as I mentioned, it is a smaller part of the business. Substantial part of that business is the government schools business which is still obviously going to reduce since we have two state government contracts left, Chhattisgarh and Assam. Maharashtra got over last quarter. So those two contracts, one of them gets over next year and the last one gets over the year later. So because of those contracts getting over, the overall success for the private schools business kind of gets masked because the overall net growth does not look very great. But the go-forward business as I mentioned, quarter four last year we grew 4% on go-forward business, 6% in quarter one, 13% in quarter two and 46% in quarter three. Of course 46% on a very small base, don't use that as an indicator of the future, but it is going well in the right direction.

H R Gala:

Rahul, on 5th of January business line carried one item that google unveiled its online training program for SMBs. I do not know whether the SMBs were focus area for corporate learning group for us. But these kind of preprograms come up, can it impact our reach to the corporates?

Rahul Patwardhan:

This is a very good question. As you know we launched NIIT.tv as a free portal. Today we have more than 600,000 registered users on NIIT.tv or it is now about a year and 3 months since we launched it, so that is quite substantial and NIIT.tv will remain free, catering to that kind of segment that is looking for free or very cheap training. And training.com is a premium portal offering premium courses, high quality and also high price tags. We are not trying to get into the commodity space. Exactly like in the brick and mortar sector, as I said before we are exiting all the low cost commodity IT training or old IT and replacing it entirely by digital new IT training which are high priced products typically Rs. 60,000 per course to a lakh per course. Similarly on training.com, if you go and have a look at the portal we have courses in the range of 1 lakh to 3 lakhs and we have very few courses which are priced below that. So we are





playing in a different space altogether. We do not want to get into the commodity free or what should I say free-for-all online space which is very difficult to make money in that space.

HR Gala: In terms of capital investment, what kind of CAPEX you will have this year?

Rahul Patwardhan: About 40 crores is what we expect to be spending for the full year.

H R Gala: And next year what would be the plan?

Rahul Patwardhan: That is something that I cannot share at this point of time because we are discussing that in the

workshop over the next 2 days, so until then you will have to wait.

Moderator: Thank you. We will take the next question from the line of Manoj Rajgopal from JHP

Securities. Please go ahead.

Manoj Rajgopal: So my question is, the company intends to aggressively pursue the corporate learning business

in India. So could you actually elaborate a bit on that front?

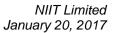
Rahul Patwardhan: I will ask Udai, who has been driving this initiative in India, to give some comments. But

overall I would say that this business is very promising. It is actually one of our fastest growing businesses this year, corporate learning in India. There are two particular opportunities which are substantial, one is the massive digital transformation training need in India both for the IT companies, BPO companies as well as for general companies who all need to train a lot of people in this. And the second one is banking training. But I will ask Udai

to detail out some of the opportunities and some of the things we are working on a bit more.

Udai Singh: So basically what we are seeing is that, there is great emphasis on the connect between the

people having the right skills and being able to perform on the job and we are specifically seeing a lot of emphasis in that in the IT services segment where there are more than 3 million largely in technical roles and technology has seen a significant shift. So unlike 8 or 10 years back when the industry was much smaller, there is an increasing trend where people need to remain technologically strong, much longer into their careers and therefore the need for retraining. Due to automation and other innovation, there is also need to transform the skills of people in roles that may not be expanding in the future. So we have conversations around both of these areas. Just as a simple example, one of the big areas that the Indian IT industry had focused on was software testing, but a very labor intensive way of doing it. That role is transforming because of automation and there are over a couple of 100,000 people across the industry who are in that role. So that is an opportunity for us to come out with a focused offering to help people transition in this role. Also, the expanded retail activity has opportunities in the consumer electronics space, oil and gas, auto and many other formats and we built up a tremendous capability globally around that space and we are bringing that to our Indian customers and finally I want to add that increasingly the trend is for both the organization and the individual to go on their own competency building and that requires a very different approach from the traditional instructor led training in a classroom once or twice





a year. And we are bringing together all our platforms and capabilities to help organizations reimagine how they do learning and development using sort of platform based ecosystem approach. So those are the new capabilities that we are investing in.

Moderator: Thank you. We will take the next question from the line of Bharat Bhagnani, individual

investor. Please go ahead.

Bharat Bhagnani: I wanted to ask, what is the kind of receivables that are still remaining to be received from the

government

Rohit Gupta: So out of the total receivables, about 100 crores is what we have now due from government.

Bharat Bhagnani: Okay, was there any recovery in the last quarter?

Rohit Gupta: So there was some recovery not to the extent we wanted to, but yes there were some recoveries

which came in, but we are expecting that more will be there in the quarter 4.

Bharat Bhagnani: Okay and by when do we expect the entire amount to come in or are there any executions from

our side remaining for these projects?

Rohit Gupta: We are working hard, I mean there are some contracts which have got over and there are some

which are remaining as Pat mentioned. So our endeavor is to recover all the overdue amount as

quickly as possible but knowing that this is government, really we will have to wait and see.

Rahul Patwardhan: I think there are two contracts that are still running, Assam government and Chhattisgarh

government. Most of our BR is in Assam and the second largest probably would be Chhattisgarh. Maharashtra just got over, we never really had a long term outstanding from

Maharashtra. So we just have the closing outstanding to be collected there. So it is really about

Assam and as I had probably mentioned in a couple of calls earlier, government change etc. had its own or rather different governments in state and center led to delays in payments on the

central government to the state. Those payments we understand have gone through. So the

funds are now available in Assam. We have no disputes at all on the quality of work that we have done. So now it is a matter of being patient and waiting for the money to be delivered and

we have seen some money being paid out every quarter for the last 3 quarters from Assam. So

things are looking positive. We have to be patient.

Bharat Bhagnani: Okay and there was one of the questions I have on training.com, so what is the kind of fixed

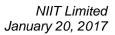
cost that has gone into the website. Is there any budget that you have allocated for that

particular website, how much fixed cost we are going to spend?

Rahul Patwardhan: Yeah. We had indicated at the beginning of the year that we will have probably accumulated

investment in this business because we report this business separately, so that data is available, about 6 crores at the end of the year. We are tracking roughly to that plan. We may be slightly

here or there a little bit more or little bit less than that when we close the year.





Bharat Bhagnani: What was the number again?

Rahul Patwardhan: Six crores and if we had not opened the online business, our profits would be 6 crores higher

than it is.

Bharat Bhagnani: And Mr. Patwardhan, any numbers that you can share on the enrollments, for training.com

during the last quarter?

Rahul Patwardhan: Yes, I did mention that we have currently more than 300 people who have registered for

various courses. Keep in mind that these are all high price tagged courses, the effective total

value visibility linked to those registrations is roughly around 2 crores.

Bharat Bhagnani: And is it shared between us and in some cases the institutions will be tie up with?

Rahul Patwardhan: Yes, if the course is delivered by an institution, then there is a revenue share, but we take the

topline, we do all the work in terms of distribution, marketing and making sure that the students are actually being serviced while the institute has provided the faculty and the content, but there a lot of things around the content that we provide as well as the revenue share based on the quantum of contribution. But a number of courses are organized by us and there we may be using our own faculty, we may be using third party individual experts from industry. So

depending on the cost, the revenue shares can vary quite a bit.

Bharat Bhagnani: Mr. Patwardhan, just one last question. On training.com there is an announcement I think a

week or two earlier with regard to the tie up with IIM Ahmedabad. There were 6 courses

which IIM Ahmedabad digitized, out of which NIIT was given 3 and 3 went to some other

party. So was there any particular reason why we could not get all 6?

Rahul Patwardhan: I think traditionally, IIM Ahmedabad, before we moved into the online format, there was a

different format where using the satellite VSAT system, we are delivering courses into physical centers which we still do for many other courses. IIM Ahmedabad has always taken a policy of splitting that business between us and our only competitor actually, our only major competitor in this space who has a satellite network to offer. And they are just staying with that policy. IIM Calcutta on the other hand has chosen to work exclusively with us and it really depends on institute policy. It has got nothing to do with not having done good work. In fact if we have not done good work, IIM Ahmedabad is very stringent about the expectations of

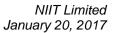
quality, they wouldn't be working with us.

Bharat Bhagnani: So there is no consideration of, maybe they were offering a higher revenue share or anything

of that sort? Is it just a policy whereby they have divided?

Rahul Patwardhan: It is like in IT services, some global customers want single source, they do not want to put all

their eggs in one basket.





Moderator: Thank you. We will take the next question from the line of Ganesh Shetty, Individual Investor.

Please go ahead.

Ganesh Shetty: Sir, just want to know regarding the Stack Route performance much during the quarter and our

new acquisition which we have done last quarter and the merging of these two programs, how

this is presently working on, can you please throw some light on this sir?

Rahul Patwardhan: Yes. You are talking about Stack Route and our acquisition of Perceptron and what impact has

it had or what about the activity in this quarter. I will ask Udai to take you through some

highlights.

Udai Singh: So, just to share with you that the team of Perceptron has one existing customer which is the

EkStep Foundation and as part of the arrangement, we had ensured that there was smooth continuity as far as that contract is concerned and I am happy to share that we are continuing to work very closely with EkStep and that transition has been smooth and the progress has been as per the financials and other terms that we have agreed on. In fact, EkStep as part of their plans have expanded their rollout and you would have read about it in the press. So we continue to work with them. The other aspect of it was our ability to use the technology platform that they have developed for our own businesses and again I would like to share that as part of our Stack Route business, we have started integrating that technology and in fact have done a pilot for one of our existing customers, for whom we were doing face-to-face onground training, but we are also working on a model where we can now extend and expand that through a hybrid offering which will combine the on-ground presence as well as the online

our larger training.com platform.

Ganesh Shetty: Sir my second question is regarding as we have promoted NIIT University and NIIT

University is also carrying lot of courses as cyber security courses and big data courses. So are we getting any assistance from the university in this aspect as we are also into the same sort of business. As I know it is not for profit organization NIIT University, but for content

offerings. And as we move forward with that, that is also going to be a very vital component of

development and our innovative ideas, are we getting any assistance from the university, can

you please throw some light on this sir?

Rahul Patwardhan: Yes. Well, NIIT University is not a part of NIIT Limited, the company, but we do have the

people who run NIIT University here in the room. So I would ask Vijay to comment on your

question.

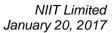
Vijay Thadani: Yeah. So NIIT University as you know is an independent not-for-profit university and has an

arm's length relationship with NIIT Limited and at the same time I think in terms of sharing of knowledge and expertise, both the company as well as the university work with each other on a

number of collaborative research projects and to that extent for example working on what kind of cyber security curriculum that may evolve, if a generic curriculum was to be built,

university run formal degree courses whereas NIIT runs certification training courses which

are more specific technology or specific solution oriented. So the two put together can benefit





a person immensely in terms of acquiring a formal degree as well as a specific certification, but other than that I think the opportunity to work together always exists and in terms of sharing of knowledge and expertise, they quite often do that.

Moderator:

Thank you. We will take the next question from the line of Ronak Shah from SJC Advisors. Please go ahead.

Ronak Shah:

My question is to Rahul. So we have seen NIIT issuing employee stock options over the last one year or so I think the new management team came in, so just wanted to understand your thoughts on that. Is that one of your primary kind of incentive tool that you plan to use? How deep will that be within the leadership etc.?

Rahul Patwardhan:

Yes, the stock option scheme is something that after I came on board, I did discuss with the Board and we did create a more attractive stock option scheme than what we used to have before. One thing that is very important to note is that the senior leadership team we have a group called the CEO Leadership Circle. We have been working very closely together and the vast majority of this team has remained intact, focused on an aligned strategy and the ESOP plan has been one important factor. But that is not the only one obviously because I would not want money to be the only consideration. I think the team is highly motivated by the excitement and the vision of what we want to build together and of course financially the ESOP plan provides an additional motivation to make us all perform.

Vijay Thadani:

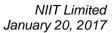
We have a stock option plan which has been in existence for a long time and the Board had allocated 10% kitty, and we are well within that over all these years and we still are within that first of all. Second of all, what I do want to share the overall objective of the stock option plan was to ensure that the interest of the leadership team is aligned with those of all the other shareholders so that all of us work in the same direction. So I think that is really what Pat was talking about in terms of amplification and also making sure that the team is stable and is working towards a long term benefit rather than short term gain.

Ronak Shah:

Sir, just to push that thought a little bit further. Now a large or a significant part of the value of NIIT stock, is from the holdings that we have in NIIT Tech. Now obviously the performance of NIIT Tech is not something that the management of NIIT Limited has any control over or any managerial role there. Has there been any consideration where the NIIT Tech holding by NIIT can be distributed to shareholders who can then decide how they want their ownership to be apportioned?

Rahul Patwardhan:

So as you know, NIIT and NIIT Tech were part of one NIIT and at the time when two demerged, we felt that we needed, there was more value in NIIT Tech which NIIT Limited the mother company through the investments it had made thus far had not yet realized and we had also gone public on with this comment that eventually we would be divesting the NIIT Tech holding at a time when the valuation is appropriate, and we believe that we would be able to realize the value that we deserve. I think we are still on the same path and as you know NIIT Tech, since I serve on the Board of both the companies, NIIT Tech has been doing reasonably





well and has built substantial value over a period of time, but we believe there is more to it and at an appropriate time that equity can be divested.

Rahul Patwardhan:

Thank you, ladies and gentlemen for your patience and for your inputs and questions. Your questions always help introspect more on how we are performing and where we need to go. This quarter as I said in the beginning has been a challenging quarter, but I do want to emphasize that the entire management team and NIITians are really working very hard together and that is reflected by the employee satisfaction survey. It is better than it has been for many years and the response rate in particular has been unprecedented actually. So we want to be working extremely hard to see how we can recoup what we have lost in quarter three, obviously tough given the quantum that has gone down. But more important, we are very confident and we are very committed to the strategy and the growth story. The key elements of the growth story which is the corporate business, the digital transformation, the retail space, training.com or schools go-forward business, all of them are doing well. Going forward into quarter four, we expect getting back much closer on track and looking forward into the future. We continue to be very confident about continued growth and profitability of the company. Thank you very much.

Moderator:

Thank you. Ladies and gentlemen, on behalf of NIIT Limited that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.