



World's Leading Skills and  
Talent Development Corporation

# “NIIT Limited's Q4 & FY17 Earnings Conference Call”

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Talent Development Corporation



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**Moderator:** Ladies and gentlemen, good day and welcome to the NIIT Limited's Q4 & 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 now hand the conference over to Mr. Vijay Thadani – Managing Director & Vice Chairman of NIIT Limited. Thank you and over to you, sir.

**Vijay Thadani:** Good afternoon. Thank you very much. Good afternoon and welcome everyone to the investor call for discussion of our quarter four results and full year FY17 results of NIIT Limited. I have the whole leadership team here with me including the Chairman - Mr. Pawar; the Joint Managing Director - Mr. Rajendran; Chief Executive Officer - Mr. Rahul Patwardhan; the Chief Executive Officer Designate - Mr. Sapnesh Lalla; Mr. Prakash Menon, who is the Head of Global Retail Business and many other colleagues. So we will be very happy to answer your questions after Rahul Patwardhan gives the initial briefing on the results. And then we look forward to an interesting Q&A session. Over to you, Rahul.

**Rahul Patwardhan:** Thank you, Vijay. I'd like to start by saying that the quarter four has been another quarter of working through the plans that we laid out 2.5 years ago and refined for FY17, after what had been a difficult quarter in quarter three, thanks to the external demonetization impact on our SME business. We have worked extremely hard as a team and executed on everything that we have planned and the results are being where we wanted them to be. During quarter four, but all through FY17, we have been reinvesting in the renewal and the growth phase of our three-phase transformation strategy and the emphasis has been on digital transformation of NIIT as well as supporting the digital transformation of our clients.

I'm quite pleased with the results that we have been able to achieve for this quarter. It has been a strong operational performance for Q4 and therefore partly making up for some of the shortfall that we had in Q3. And this is in spite of the significant turbulence that we have faced during the year; thanks to two main factors, de-monetization as well as the volatility in the foreign exchange rates.

So some key numbers. I will take you through that and unlike previous sessions, instead of asking each of my team members to talk a little bit on their area, we will directly go into questions to allow you ask many more questions.

For quarter four, our revenue grew 51% Y-o-Y to 361.5 crores. This obviously is a very high growth rate and I do want to emphasize that this is due to abnormally or significantly high strategic sourcing revenues that we got in this quarter. Thanks to the requests of one or two of our very important clients. Our EBITDA grew 30% Y-o-Y for the quarter to reach 17.2 crores. The PAT grew 70% Y-o-Y to reach 30.2 crores. We had excellent cash management during this quarter, brought our net debt down from 103.8 crores at the end of the last quarter down to 41.9 crores at the end of this quarter and obviously that also was contributed by a substantial reduction in the DSO days from 98 days to 79 days over the last three months.

For the full year, our revenue grew 18% Y-o-Y to reach 1,187.7 crores. Our go-forward revenue, this is excluding the businesses like government contracts, government schools contracts and a couple of other businesses, which we had told you that we are not selling any more. So the businesses that we are actively involved in have actually grown 23% Y-o-Y for the full year. Our EBITDA grew 7% Y-o-Y to reach 76 crores and our PAT was 65.1 crores.

If we go into the businesses, the Corporate Learning business, the revenue grew 35% for the full-year. Our quarter results you already have. The MTS share of revenues also for the full year was improved to 95% of the total revenues. This was a very good quarter in terms of customer addition. We completed the contracting with two new MTS clients, one was the very large RECO or Real Estate Council of Ontario, which you had seen as a press release about a month back. And the second one is a very large global company in the aviation sector, we can't name, okay. But in addition, we renewed two existing contracts, also very important customers and therefore demonstrating a satisfaction of the services that we are entering and our desire to continue to work with us for the long term. But what's also important is that we had confirmation for three more very important orders with three very major clients who are also leaders in their respective industries. The contracting right now is going on, but we had got confirmations that they want to work with us and we've actually started working on them and transitional efforts already began for both the current customers that we did contracting, as well as these three customers.

Our quarter four visibility grew 24%, quarter four order intake grew 43%. And the Real Estate Council contract I talked about is probably our largest contract ever definitely, if not the largest among the largest top two or three since we started our MTS business. For the skills and carrier business, as we said at the end of quarter three, we are confident of coming back to growth and profit in quarter four, and we have. Our growth was 3% for the quarter and the go-forward growth if you exclude businesses like some of our international businesses that we had said we are not continuing, was actually 7%. EBITDA improved to 4%, so 3% growth, 4% EBITDA for the quarter. And on a full year basis, 74% growth of the EBITDA from last year to this year.

Our DigiNxt portfolio, which is the main plank of our retail business in India actually exceeded all our internal goals for the year, putting us in a very good position going into the new year, whereas you can see, there is immense opportunity both for re-skilling people in digital skills in the industry as well as to equip young engineers with the digital skills so that they can enter the only hot spot in the IT industry, which is where digital skills are required. We also signed some major deals in China and very recently with the Yinchuan city government in the Ningxia province in the North of China. And also we tied up with a major partner in Bangladesh to bring NIIT IT training into Bangladesh. Training.com, NIIT TV also had substantial traction and we can share the facts with specific questions on that.

The schools business, while it may have been our smallest business have actually done extremely well and this is the most important quarter for the year. We completed the Maharashtra project as you remember, government schools project as you remember in quarter two and therefore the overall revenue has gone down vis-à-vis last year for obvious reasons. But when you look at the

go-forward private schools business, excluding the asset base business in private schools, which we've exited, we've actually grown 49% year-on-year on revenue for the go-forward private schools non-asset business and for the full year, we've grown 29%, so very strong performance by the private schools business. And that is exhibited by the fact that we added 392 new private school clients in quarter four, which is an increase in 221% over the number of schools we had in the same quarter last year and this is the most important quarter where we add the largest number of schools. One statistic is, this is the highest ever number of schools that we have added in one quarter in the history of this business. Our EBITDA for the schools business improved 89% Y-o-Y and the full year it improved by 143% Y-o-Y.

So overall, I think the team is pleased and I'm very pleased with the results that we've been able to achieve in this quarter. It demonstrates that we have a solid team, we have a solid strategy, we've a very well-defined set of plan and we are executing well to our plan. Yes, there can be a bump here and there through external factors, but we are making up for that and continuing on the trajectory of growth and transformation that we've set for ourselves over two and half years back.

Vijay, would you like to add any comments?

**Vijay Thadani:**

I think we should open the floor for questions, so operator? Okay. While you're opening it for questions, maybe I will ask Sapnesh – the CEO Designate, who will take over from end of July, so to talk a little bit about the results as well as the way forward.

**Sapnesh Lalla:**

Thanks, Vijay and thanks, Pat. I'm not going to repeat what Pat said about the results other than the fact that the team performed remarkably well. It bodes well for us as we get into our new year to have three new very substantial contracts in the offing and hopefully more as we get closer to the end of the quarter. Also the SNC business getting to growth, getting to positive EBITDA is a good sign and bodes well for the coming year. Schools business, as Pat pointed out, especially the go-forward business doing remarkably well. So overall bodes well for the next year. And I'm excited and confident that we will continue this growth trajectory as we get into the growth phase for the company. Thanks.

**Vijay Thadani:**

Okay. So can we open it up for Q&A?

**Moderator:**

Thank you very much. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question from the line of Manik Taneja from Emkay Global. Please go ahead.

**Manik Taneja:**

Thank you for the opportunity and congratulations for a very good execution in the current quarter. So just wanted to get your thoughts as to how are you seeing things evolve with regards to the DigiNxt course curriculum, the response on the ground? That's question number one. The second question that I had was in the schools business, which as such is a smaller part of your portfolio, but given the transition or the transformation that you're doing over there one has seen significant improvement on the profitability front over there? So how should we be thinking about this part of the business going forward? Thank you.

**Rahul Patwardhan:**

The DigiNxt curriculum has done well, as I mentioned. We have exceeded our internal budgets for enrollment for FY17. As you know, we launched only in quarter two, so we didn't even have a full year, number one. Number two, as you can see from the noise in the industry as a whole, it's now reached a crescendo of concern of the needs on a very urgent basis to address the acute shortage of digital skills in an environment where there is actually maybe an oversupply of IT professionals, but there is an acute shortage of digital skills professionals. And we are seeing that, not just in terms of the interactions we are having with companies who want to re-skill their people and our StackRoute program and our B2B corporate business in India is seeing the benefit of that. But on the retail side, we are seeing both the universities and colleges, who are not equipped in the short run, definitely to address the need to re-skill their students in these new skills if they want to make sure they get jobs. So we are actually having a lot of traction from colleges asking us to help them, address the need to introduce digital curriculum into their formal bachelor's degree curriculum. And there is a lot of traction over there. We've already won a number of contracts in the space and there is a very large pipeline of colleges who are talking to us, and I personally have been going around the country meeting a number of them. And the urgency is very high. We are also seeing that in terms of the demand from the young engineering students, who also realized that it is absolutely critical for them to equip themselves in digital skills, if they are to secure jobs in the IT industry because jobs with vanilla skills don't exist, but definitely going to be far fewer than they have been before. So I think we have done the right thing in launching DigiNxt and piloting it and getting all our pieces in place in the year just before this big push is going to happen. This year it's really going to be an important one. Apart from that, the banking sector also we see demand increase because we're expanding our presence into a number of more banks and also into different product sets in the bank from just the branch officer training and the sales officer training in the private sector banks. We've entered during the last year into the public sector probationary officer training space, which is actually a higher ticket sales and we're also getting into a lot more of the training or re-skilling of bankers, which is also a very major initiative as you may be aware under the new RBI initiative. So good potential in both these basis. Overall on SNC, if you're asking for a guidance, we have looked at an improvement in our growth rate and improvement in our EBITDA for the coming year. We will remain in single-digit in both these, but coming from where we are that will be a definite positive improvement for the coming year over where we were for FY17. In the schools business, the team has done well to create a very well-formed operation. There is a very strong sales management ethic and a very strong operational delivery ethic in place and that has translated both to the sales productivity improvement as well as the operational productivity and EBITDA improvement that you see in the numbers. We are confident that we will see a continued trajectory of growth of around 15% on the topline for the go-forward schools business and an EBITDA, which will still remain single-digit, but getting closer to double-digit by the end of the year from the 5% that we closed this year. Apart from that, we are working on the B2C side of the schools business. As we had mentioned before, we have done a complete proof of concept testing with students from a number of schools. We've had interesting results, which gives us confidence that the path we are going down is the right path and we are engaged in discussions for raising funds, which is right now as much as I can say about that topic.

- Manik Taneja:** Thank you. So should one think, so historically over the last three, four years it's been Corporate Learning, which has driven the overall performance. Would it be fair to assume that with all the interventions that you've done, both on the skills and career side as well as the schools business, one should look for these segments also to be growth drivers for us going forward?
- Rahul Patwardhan:** Yes, on the topline, the growth drivers of SNC will not be at the same 15% as I just shared because it is about 30% of the business, when it starts growing, it obviously contributes to the overall growth. On the EBITDA side, already in FY17 itself, both these businesses have contributed substantially to the improvement in EBITDA because SNC was a loss-making business or a breakeven business last year and it has improved its EBITDA by a substantial amount and so as the schools business. I think in the coming years, the impact of these two businesses may be seen more on the EBITDA side, a little less on the revenue topline side. So that's a good thing because we will improve the overall EBITDA of the company.
- Moderator:** Thank you. We've the next question from the line of Kaushik Poddar from KB Capital Markets. Please go ahead.
- Kaushik Poddar:** See your debt level has come down, your margin has improved, why haven't you declared any dividend?
- Vijay Thadani:** Yes. I think we would still like to see some growth capital. In addition to whatever you said, our liquidity has also improved, our net debt has come down. But I think we are still in the growth phase and we would need growth capital and that's the reason we haven't declared dividend this time.
- Kaushik Poddar:** You'll require growth capital in which all places?
- Vijay Thadani:** I think all three businesses, for example, the Corporate Learning Group would require working capital as we are gearing up and you heard about the large contract that we just got RECO contract, correct, and till July of 19, we have to be spending money on that transition because a long transition. And the revenue will only start coming from there. So there is a working capital investment there. The schools and the online business, both of those, as well as the DigiNxt curriculum, you would have seen the new campaign that we have on the digital transformation technology. So that is the second set of numbers required in both those businesses. And third, of course we have to be ready for any M&A opportunity. So we both discussed this over a period of time and I think at this time, it's like to give it a pass.
- Kaushik Poddar:** See, have you set any policy for when to declare dividend? I mean, your debt coming down, even after that also we don't get any dividend, I mean, at least we should be knowing when at least we should be getting some dividend, I mean, you know?
- Vijay Thadani:** Yes. So first of all, the dividend comes from the standalone, the India profit, and as you know, at this time, the standalone has not been doing well, correct, and that puts a strain on the overall ability of the company to be able to give and that was relating to the India business. And as we

are recovering from that and as we come out of that during the year, I think in future, we should be looking forward to dividends.

**Moderator:** Thank you. We have the next question from the line of Debashish Mazumdar from Edelweiss. Please go ahead.

**Debashish Mazumdar:** My question pertains to the Corporate Learning business, especially the strategic sourcing part of the business. Wanted to understand what is this exactly linked to, this strategic sourcing revenue? And second is, we are seeing significant de-growth in EBITDA margin specifically, and if I exclude some of the transition cost you're talking about, without that the EBITDA margin is 11%. So just wanted to understand is the transition cost is related to that strategic revenue we are talking about? Then in that case, we have booked around 3 crore kind of loss in that business, this is one. Second is, again on the Corporate Learning business, for the full year of FY17, we have almost reported a constant currency growth of around 17%, 18%. Wanted to check what would be the future growth trajectory with considering the incremental visibility we have right now?

**Rahul Patwardhan:** Yes, I'll ask Sapnesh to answer these questions.

**Sapnesh Lalla:** Sure. You asked a bunch of questions, so if I miss one do remind me. I think your first question was about what the strategic sourcing business is and how does that impact profitability? As you know, we work as an outsourcer for learning and development organizations in large companies. And one of the things that learning and development organization do on a one-off basis is to buy third-party training materials such that the employees can get trained on generic training such as IT training or things like that. Several of our customers or some of our customers engage us in doing that activity on a value add basis and that activity is called strategic sourcing in the industry. This activity carries or requires us to recognize what we buy for our customers as our revenue and this revenue does not come with a margin, that is just how the accounting principles use revenue recognition. That said, this past quarter, we ended up having to do a substantially higher amount of strategic sourcing, as Pat pointed out, for a couple of our customers, which resulted into higher than normal growth in revenue without corresponding our margins. Now, I forgot the second question that you asked. Can you repeat your second question?

**Debashish Mazumdar:** So the question pertains to the EBITDA margin on a standalone basis without considering the strategic sourcing revenue going forward. So what is your going forward EBITDA margin numbers for the Corporate Learning business, would it be same around 11%, 12%?

**Sapnesh Lalla:** There are a couple of factors that affect us. One is, as you may have guessed, improvement in performance, so on a go-forward basis, we would like to improve our performance. I think the second dimension of that same question is, as you're probably aware, we are moving to an IndAS standard in accounting and that results into a different treatment of strategic sourcing as part of revenue recognition. As you are aware, IndAS expects you to work with substance over form, and therefore we will, on a go-forward basis, not recognize strategic sourcing revenues as part of declared revenues. So from an overall perspective, you can see an upswing in our margins

because of non-recognition of strategic sourcing revenues as well as some upswing in our margins because of improved performance.

**Debashish Mazumdar:** So would it be the EBITDA margin for CLG business to be same around 11%, 12% as far as your guidance are concerned or we are seeing –

**Sapnesh Lalla:** No, I think you can expect more by about 200-300 basis points.

**Debashish Mazumdar:** Okay. Just because of the change in accounting system or because of changing the overall business strategy?

**Sapnesh Lalla:** Both.

**Debashish Mazumdar:** Okay. And my last question related to the Corporate Learning business again, on a constant currency basis in FY17, we have seen a growth of around 17%, 18%. What is the kind of growth trajectory considering the new kind of deals that you have incremental visibility and incremental addition of clients at the MTS level? What is the kind of guidance you are giving for the Corporate Learning business going forward?

**Sapnesh Lalla:** So I'll prefix the guidance with some amount of volatility that we are starting to see from a Corporate Learning business point of view, there is significant Forex volatility. From the point of view of other businesses at NIIT, there is volatility with respect to the turbulence that you see in IT as well as the implementation of GST. Notwithstanding that, like last year, we have provided a guidance of 15% growth, but actually ended up doing a little bit better from a constant currency point of view. I do think we've had a good start to the year based on the contracts that we have achieved. Some of these contracts are in transition, but will start delivering value. We also expect to keep adding customers to the 34 customers that we have. So I feel that our growth trajectory should continue at the current levels of 15% on a go-forward basis, again on a constant currency basis, which means after discounting any changes or adverse changes because of currency fluctuations.

**Moderator:** Thank you. We have the next question from the line of Ganesh Shetty as an individual investor. Please go ahead.

**Ganesh Shetty:** Sir, my question is regarding SNC business whereas we have our throughput in Bangladesh, Vietnam and as well as China. So we're expanding very fast in international territory and that too in DigiNxt type of business. Can we expect more margin from these type of international business, sir?

**Rahul Patwardhan:** Thank you. Yes, our international SNC business already today gives us better margins than the domestic business as you're aware. Parts of domestic business have been in loss in the past and we have worked over the last couple of years to bring that down and move it into positive territory. So I want to emphasize that we do not have a strategy that we are focusing on international and not on India, we are working on both at the same time. China and certain



selected emerging markets are our focus. We are not going indiscriminately into many, many countries. We are just picking large markets and focusing on them. So Bangladesh obviously is one of the largest populated countries in the world, which is why we are there, otherwise we wouldn't be going there. The India business, however, is also on the verge of starting to generate profits, not at the level that we used to have before, but it's back into the profit zone, parts of it. And this year, I expect that we'll be seeing profit from the entire India business. Prakash would like to add a few comments on the outlook for the India business, as well as the international.

**Prakash Menon:**

Hi, thank you for the question. There are two things, one is both in International and India, we are trying to balance two kinds of business that we do. One is the business that is a center business where we have an education center and people come there. And the other is where we embed our curriculum into the university or the colleges in all parts of the world, which has just about begun in India. And balancing that in my view will help us to get over the problem in India in terms of getting better than just breakeven. Another strategy that we followed in China for 10 years and we continue that. So outlook is to say that we will want to grow this year, but as Pat initially said, we are looking at single-digit growth and we are looking at single-digit EBITDA. Thanks, Pat.

**Ganesh Shetty:**

Sir, my second question is regarding India business of SNC. Sir, do our institutional business, which we've been doing for quite a long time and now with improved version of DigiNxt curriculum, can we demand more margin-based business from the customers, which we already have? Can you please throw some light on this?

**Rahul Patwardhan:**

Yes. When you're saying institution, what do you mean corporate business?

**Ganesh Shetty:**

No, institutions, which are like banks and other customers, like banks are coming to us for getting trained, which is actually SNC type of business what we are doing. So I want to have just more knowledge on that.

**Rahul Patwardhan:**

Yes. So the first point I would make is that our institutional business, which we call the B2B business in India, which is part of SNC has been one of the high growth businesses in FY17 and we expect it to continue to be a high growth business in FY18. We are getting a lot of traction from three sectors. Sector one is the whole IT, ITES sector, thanks to the digital transformation process and re-scaling that is going on in these sectors. Second is the banking sector, where as I mentioned before, there is a lot of traction in private sector, but now also in the public sector. And the third piece is the retail and distribution channel business, where we work with companies like Vodafone, Gionee, Reliance Petroleum, various organizations who manage very large sales oriented channels across the country and we have started getting a number of deals to train very large numbers of their retail sales force across the country. So these were three main growth drivers. Our contracts are moving from what used to be predominantly man-day training rate contracts into a bit more strategic contracts where we are being asked to deliver performance improvement outcomes. And because of that we are able to increase and should be able to increase the margins going forward and that is a strategy that we're working on in this business. Having said that, keep in mind that this is a domestic to domestic business and therefore there is

no cost arbitrage available. And therefore we cannot drive the kind of margins that we could drive from India to US or India to Europe.

**Moderator:** Thank you. We have the next question from the line of Sameer Chheda from Wama International. Please go ahead.

**Sameer Chheda:** Yes, I would just like to have more clarity on this Canada RECO deals. So I have read somewhere, it is around 750 crore deal, so do we take it as 150 annually or how do we?

**Rahul Patwardhan:** Yes, I'll ask Sapnesh to answer that since he has personally been involved in on the negotiation and closing of this deal.

**Sapnesh Lalla:** For the most detailed description of this deal, I would direct you to our website where we have a detailed press release regarding the deal. But in nutshell, what I can say is: a) it is a large deal; b) it is an exclusive mandate to NIIT, which is part of a two-member consortium buildup of Humber College, which is a large career college in the state of Ontario, as well as NIIT. The incumbent debt approximately CAD \$100 million in the past five years and then in the last year, the incumbent debt were approximately CAD \$30 million. That's the extent of detail that I can go to from a financial perspective, but you might be able to find a few more snippets that might be of interest in the press release.

**Sameer Chheda:** And do we expect the same EBITDA levels as of what we are enjoying in the same deal?

**Sapnesh Lalla:** We publicly don't comment on EBITDA levels for an opportunity or a contract, but we expect to do as well, if not better, on an overall basis going forward.

**Sameer Chheda:** All right. And do we see more such deals?

**Sapnesh Lalla:** And one other thing I would point out, as Pat noted or Vijay noted earlier in his comments when he was talking about dividends, the transition for this opportunity is a two-year transition. It is longer than typical transition given the size of the opportunities. So we will start seeing revenue and profit from this deal from mid-2019 onwards.

**Sameer Chheda:** Okay. Mid-FY19 you're saying?

**Sapnesh Lalla:** FY19-'20. Actually FY20.

**Sameer Chheda:** And do you see similar opportunities in Canada itself or any other country, similar size deals happening?

**Sapnesh Lalla:** Indeed, they are not the only regulatory organization in Canada. There are many such regulatory organizations that regulate skills in Canada and Canada again is not unique. These regulatory bodies are present, not only in Canada, but United States and other parts of Western Europe.

- Moderator:** Thank you. We have the next question from the line of Shradha Agrawal from Asian Markets Securities. Please go ahead.
- Shradha Agrawal:** Just wanted to check, in the normal course of business, how much the strategic sourcing revenue contribute to CLG revenue?
- Sapnesh Lalla:** It is not the same number each quarter, but at times or in some quarters, it goes as high as 20%, at times it is lower than that, so that's approximately how high it is. Of course, as I mentioned earlier, as we switch to the IndAS accounting treatment on a go-forward basis, from Q1 strategic sourcing revenue will not be accounted as revenue in our books.
- Shradha Agrawal:** So how else will the accounting be done? I mean, where will you count this revenue?
- Sapnesh Lalla:** It is not going to be counted as revenue in any of our books. It might still show up in unaudited accounts as system-wide revenue, but it will not be part of audited accounts.
- Shradha Agrawal:** So, even after excluding almost like 20% contribution to topline, we're talking of a 15% constant currency growth in CLG, is that understanding right?
- Sapnesh Lalla:** On a like-to-like basis, yes.
- Shradha Agrawal:** On a like-to-like basis, okay. And on margins, you've mentioned that this time around, you had some transition cost on five contracts, which impacted margins for the quarter. So could you throw some more light on those five contracts. One, I guess was this strategic sourcing deal and the other four contracts, which impacted margins?
- Sapnesh Lalla:** So just for the record, one of the deals was not the strategic sourcing deal, it was the RECO contract that we talked about, which resulted into higher transition costs. There are four other deals of which one is a contract and three others are confirmation of contracts. The contract is with a large aviation company as Pat pointed out. The three others are again leaders in their specific industries. As you're probably aware, we don't name our contracts publicly, but what I can share is each of them is a leader in their category.
- Shradha Agrawal:** So on a normalized basis, margins should get back to their normal levels of 11%, 12% next quarter onwards?
- Sapnesh Lalla:** And that's right, on an IGAAP basis, but as you look at IndAS treatment, that would be proportionally higher.
- Shradha Agrawal:** True. Secondly on the digital business, I mean, it seems that you had recognized some revenue on that part of business, so would you like to comment on how traction is shaping up in that business?
- Sapnesh Lalla:** But this digital, you meant our online –

- Shradha Agrawal:** Online training business, Yes.
- Rahul Patwardhan:** It's training.com. Training.com, we started somewhere in the beginning around October of last year launching program and we are focused this platform a little differently from most of the other online players because what we have seen through our experience with niit.com, which was a free portal that the market has got a lot of offerings, which are free or very low price or very high discounted. So we wanted to create a space of our own. So we are focusing on management curriculum as our prime focus in the short-term, very high-end courses, high price courses with typical course from IIM Calcutta that we offer can range from 1 lakh to 4 lakhs. And therefore the cost of acquisition, even if it is high, as a proportion of the revenue will be relatively small and therefore our possibility of bringing this business to a profit business quickly will be much higher, okay. So that has been our main strategic plank and therefore, most of the marketing and most of the products that we have on training.com right now fall into this category. We do have some IT courses, but we are not emphasizing them in terms of our spend on marketing. We have generated an order book, I don't have the exact numbers off hand right now, but we had reported at the end of Q3 that we had an order book generated through applicants and registrants for these management courses, which was to the tune of... Yes, the visibility right now is about 5 crores and quarter one is when we have number of these management courses actually starting off, so I think our most expensive course starts at the end of quarter one, so a lot of registrations will probably happen in quarter one for that program. So we're not trying to drive this as mass low cost volume online portal, you have to see it more as a high-priced high-end portal where people are willing to pay a high price, because they want the outcome that the program offers. It's very different.
- Shradha Agrawal:** So, Pat, I mean, EBITDA loss in this business has only been increasing for the last five quarters. Now I think we burnt cash to the tune of Rs. 29 million in this quarter. So, by when do you think our operations would stabilize and if not aiming at profitability, when can we have visibility on not burning cash at least in this business?
- Rahul Patwardhan:** Yes, so that is one of the reasons why our strategy has actually evolved, I'll be honest over the last nine months, from originally targeting IT training a bit more, we decided to move much more towards management training, so that we could bring this business to profit quicker. In the coming year, we expect still to make some losses on this business, but they will be lower than the losses we have achieved in FY17. The internal targets of course are to see whether we can somehow bring this business to breakeven within FY18, but that's not something that we can currently see.
- Shradha Agrawal:** Right. That's helpful. And on the school business, what portion of government contract is still pending to be executed?
- Rahul Patwardhan:** Yes we have two states left, we have the Assam government and we have Chhattisgarh. Assam has two phases, the Phase 1 gets over in this calendar year, I think it gets over in quarter three. And the second phase gets over in the quarter four. So both these, Assam gets over completely

in FY18, Chhattisgarh takes one more year. So by FY20, we will not have any government schools business left.

**Moderator:** Thank you. We've the next question from the line of Mangesh Kulkarni from Almondz Global Securities. Please go ahead.

**Mangesh Kulkarni:** Sir, I just wanted to know about our outlook on the receivable position, which has remained almost same for the full year at around 256 crores. So what is the outlook, how much is more than six months old and all these things?

**Rahul Patwardhan:** Yes, as I pointed our DSO days have reduced from 98 days to 79 days and our bills receivables has actually reduced from the end of quarter three to quarter four. What I do want to highlight is that when we last met last quarter or the quarter before that our outstanding receivables from government schools was about 90 crores, which is now down to 50 crores. So we have made substantial progress on the government receivables also. Even if you look at our aging receivables, aging receivables of greater than 180 days, they've also come down from 39 days to 33 days. So overall, we have done very well on receivables. There are couple of pockets, which we are focused on now. One is the government school receivables, which we still have 50 crores, but there is good movement. Chhattisgarh, as a state is paying on time. So so part of this 50 crores is Chhattisgarh's recent bill only raised about two, three months ago, in February and the rest is Assam and there a couple of old bills pertaining to Telangana and Andhra Pradesh. And in every case, money is coming in so this year could be the year where we would be able to clean-up a vast majority of the government schools receivables and that's what we're working on very closely.

**Mangesh Kulkarni:** Okay. And will it result in overall debt reduction, which is at around 151 crores, our long-term debt?

**Rahul Patwardhan:** Yes, today -- yes, it will. At the current point of time, we are actually not even using any cash credit lines. Our entire debt is in the form of the long-term debt that we have. Our first payment on our Citibank long-term debt happens by the end of September, by about 20 crores. And unless, we go in for an inorganic transaction or any activity of that kind, which requires substantial investment, we do not see a need to go back to taking long-term loans, but that is subject to those decisions that we might take in the future. So overall, our net debt position, which also as you know, is extremely low compared to what it has been for many quarters. By the end of the year, if our business works to the plans that we have, we could see some reduction in net debt also by the end of the year. Though, seasonality wise, it may move up and down during the year.

**Mangesh Kulkarni:** Okay. And what will be our CAPEX requirement for the Canada this deal?

**Rahul Patwardhan:** That is a good question. The whole idea of getting into a consortium deal with Humber College is to avoid having to make any physical asset investment of any kind. So we are the prime contractor, I want you to note that. The contract is given to us and we have got Humber as a consortium partner into the deal. Their role is to handle physical delivery of the training in many,

many towns and cities of Ontario for the part of the program that is delivered physically, but the program is also delivered online and the content development of all the content for the program, whether it's online or through the physical center is our responsibility. So we build the IP for RECO and we deliver it directly online and we get it delivered physically through Humber. So all physical assets are Humber's responsibility, all content development is being done by us.

**Mangesh Kulkarni:**

And with this RERA coming in in India, do you think this kind of opportunity is going to come in near future in India also for us?

**Rahul Patwardhan:**

It's a good thought. The idea certification of financial analyst, certification of insurance people, certification of real estate people, this is a kind of utility model that we are looking at actively. We're obviously focused a lot more on this kind of business in markets, which can give us much better rates. But if that does happen in India, we definitely would look at it given the credentials that we would have, having worked for one of the leading real estate markets of the world. And keep in mind, Ontario is one of the hottest real estate markets in the world. Toronto prices are going up, up and up, therefore everybody wants to become a real estate agent in that city.

**Mangesh Kulkarni:**

Right. And in terms of our this India's Nxt Tech Star, can you throw some more highlights, which are the colleges with whom already we have tied up or going to be tied up or universities where we are looking such tie-ups?

**Rahul Patwardhan:**

Yes. I'll ask Prakash to talk about it. Tech Star has actually got nothing to do with the college tie-up. It is a program to attract youth towards participating in IP creation, but let me ask Prakash to talk a little bit more about Tech Star, but also about our college NIIT programs.

**Prakash Menon:**

Thank you, Pat. So, the objective of a Tech Star is to, one, attract students who are in the third and fourth year of engineering, people who are going to graduate very soon that are facing a problem with placement on one hand, because they know the traditional Java, Dot Net kind of stuff, when our companies need technologies in the digital transformation area. So one is to attract them. The other is to say how do you attract the brighter minds and therefore the Tech Star as a concept. Now the student joins a course and he can pick up any project of his choice, from a choice of given to a number of 10 projects. And while he does the course, he also does his project. And the project is real life stuff, so it's like for example, building a store on the net, it's to build the Ola platform, for example. And you will have mentors who will help them do that while they're doing the program at NIIT. And we will have people from the industry who would judge these applications that they develop and create stars out of them. So there are prizes and things like that, but that's not the important part. The important part is, each one of the students would be able to demonstrate to a potential employer his capabilities. And when you have this whole thing about the Nxt Tech Star, it adds to the fun quotient from this whole thing and that's what it's all about. But essentially what we're trying to address is educating students in large number about the importance of them knowing the newer technologies. So when we talk to college Presidents this year, they seem to understand such a need. When we spoke to college Presidents last year, they were not clued in on to this as yet, but the students still is not clued in. The student still says my senior did Java, so let me do Java, which is not good enough anymore.

And therefore this whole Tech Star story is to educate, and as a leader, as a pioneer in the market, I think it's our duty to educate people and this is part of that. The NIIT inside is a very different thing, it's got nothing to do with the Tech Star, but we've signed up with four universities right now. We have the Unity College in Dimapur, we have HIMT in Greater Noida, we tied up with a few more at this point in time and we are looking at tying up with about 15 more universities, those are some names that I give you. It's a very different thing because colleges and universities are now looking at the fact that we have content, which is more relevant than what they have at this point in time. And therefore, there is a need, they want to associate with us, and then we would embed our curriculum into the college curriculum. There are multiple models that are coming through, but that's a very exciting new area for us in India.

**Mangesh Kulkarni:** And so this Tech Star is only for the computer engineering related courses that we are looking currently, not for the other mechanical or other kind of engineering?

**Rahul Patwardhan:** Well, not really. I would say that anybody who aspires to be a Tech Star very much like anybody who aspires to be the Indian Idol and be the greatest musician, singer in the world tomorrow, we are open to attracting them. So if you are an engineering graduate or a STEM graduate, which means science, technology, engineering or mathematics, and obviously you have to have computer programming capability of some kind, otherwise you are not going to be able to participate in this program like an Indian Idol participant won't pass the first round if he can't sing basic tunes. But this is much more than just training people. On the one side, we are trying to educate the youth at large that it is really important to become digitally skilled if you want to have a job and be relevant to the workplace of tomorrow. So that's a broader message. The other end of the spectrum is to say, this whole IT sector is going to move away from you being a programmer in a large company, a nameless employee number into you being small groups of companies doing start-up businesses, ideating, innovating, building IP, and we want the brightest minds in India to gravitate towards that and see this as a way to monetize their personal skills very much like an Indian Idol and similar other programs, where every one of the winners of these programs have ended up becoming famous singers a few years down the line.

**Mangesh Kulkarni:** Great. And sir my last question is on this unlocking value in our NIIT Technologies, so any timeline we are looking for that?

**Rahul Patwardhan:** There is no timeline defined. We see it as an investment and so far, a good investment, which has given us good returns. We have stated it before that a good investment can always be monetized for the right price and for the right buyer. But beyond that, there is no specific timeline or agenda that is being defined.

**Moderator:** Thank you. We have the next question from the line of Ronak Shah from SJC Advisors. Please go ahead.

**Ronak Shah:** So you mentioned you all have made early in-roads in terms of approaching colleges in India, in terms of offsetting the digital courses for the students. My question is do you think this has a risk of cannibalizing your retail franchisee NIIT business at all?



**Rahul Patwardhan:**

Yes, it's a good question and I think we have thought about this very carefully and we believe this is only enlarging the market. And let me give you the logic for that. When we had our GNIIT program when we used to have a few hundred thousand students doing this program, they used to be doing their college degree and in parallel they did the GNIIT because that's designed to be going alongside the college, few hours a week. What we are finding today and not just today, but over the last few years, college schedules have become quite busy, much more than they used to be in the previous years, number one. Number two, the transport time that most people face in cities and towns of India today, if they have to come for a two-hour program to an NIIT center, they travel one hour, sometimes two hours and other way around again, one to two hours. So what we think by having physical centers is catering to all segment of the market of people who have passed out somehow that, access degree and looking for a job and then they want to skill themselves to get the job. But the much larger segment are all the people who are sitting inside the colleges and today we have a great opportunity that vast majority of engineering colleges are not fit to deliver digital skills to their students, which is why they're approaching us and we are seeing a very large number of prospects around the country. In fact, we have to be careful to focus our attention on the ones that we can convert quickly because we may slump ourselves with too many discussions going on in parallel. But there are some constraints in this market. As you know colleges have fixed prices on what they can charge students. If they were to partner with us, they have to add a cost structure to their existing cost base and therefore we have to come up with interesting customized models for each college to be able to insert NIIT curriculum into their existing curriculum without breaking the constraints of their price point and breaking the constraints of the curriculum that has been defined by the university. So it's going to be a customized approach college by college.

**Ronak Shah:**

Got it. So just to throw a little bit more on the pricing, as you mentioned, so is this kind of a per student revenue model or is it bundled along with the student's tuition fees already. So the college kind of bear the additional cost of bringing in NIIT in?

**Rahul Patwardhan:**

Yes, that's why I said customized. There are many different models. There are some colleges who are bundling in our services into what they already priced to the student. The student doesn't speak price at all. The college is picking up the price and we are getting paid by the college. There is a second model where the college allows us into the college, provides us the infrastructure and all the facilities, so we just have to bring our curriculum and our faculty and an online portal and we cater to a segment of the students who are encouraged to take on additional courses that the college is unable to offer. So it becomes a little bit like doing retail marketing within a limited student subset of a college. There is a third model where colleges have freedom to offer certificate and diploma programs post the bachelor's degree, which is not constrained by price governed by the university and that is a much more open model. So every college is talking to us about what makes sense to them. So we see four or five this thing model. We are being flexible right now because it's early days, but I expect that once you've gone through one season, it will become clear that there are four or five models as the most appropriate and we'll have a standard set of offers, which we can replicate in larger numbers.



- Ronak Shah:** Okay, I understood. Everybody knows that it is NIIT providing the training, right?
- Rahul Patwardhan:** That will be obvious because part of the curriculum will be delivered through an online portal, which we would have even branded along with the college, but there will be NIIT's name associated it. In some of these programs, as an example, the certificate and the diploma program, the college actually wants us to go deliver the certificate to give it credibility. So it only depends on the program and the college.
- Ronak Shah:** Okay. Because then I'm assuming it's really to kind of mind the students for additional courses outside of the college as well, right?
- Rahul Patwardhan:** Yes, of course, a side benefit would be that many colleges, we may find students who decides that it is more convenient for them to come to our center or to go to our online retail portals by themselves. But a college targeting is to try to get deals with the colleges, so that with the single sale, we get a large number of students. So for example, with one college in the South of India, we have 800 students tied up and we have a stream of revenue from 800 students.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for the closing remarks. Thank you and over to you.
- Vijay Thadani:** Yes. Well, thank you very much. I think we had a very interesting interaction right now and as usual we learned a lot from this. Your questions have been incisive and give us lot of indications of what you're looking for and also help us refine our strategy. I want to thank each one of you for supporting us, guiding us and for your questions. We are available for any follow-up questions or discussions as you would know Kapil Saurabh is the person leading Investor Relations. The leadership team will be in Mumbai tomorrow and day after and would be meeting many of you individually in case you would like to meet up or talk, then best would be to reach out to Kapil Saurabh and we will schedule a meeting. So thank you very much for being here and wish you all the best.
- Moderator:** Thank you very much members of the management. Ladies and gentlemen, on behalf of NIIT Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.