



NIIT Limited

Registered Office:
Plot No 85, Sector 32,
Institutional Area,
Gurugram 122 001,
(Haryana) India
Tel:+91 (124) 4293000
Fax:+91 (124) 4293333
Email: info@niit.com

CIN: L74899HR1981PLC107123

www.niit.com

February 6, 2023

**The Manager
BSE Limited**

Corporate Relationship Department,
1st Floor, New Trading Ring,
Rotunda Building
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001

The Manager

National Stock Exchange of India Ltd

Listing Department
Exchange Plaza
5th Floor, Plot no C/1, G Block
Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

Subject: Transcript of Investors/analysts Call – Q3 FY 2022-23 Unaudited Financial Results

Scrp Code: BSE – 500304; NSE – NIITLTD

Dear Sir,

Pursuant to the requirement of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith Transcript of Investors/analysts Call organized on January 31, 2023 post declaration of Unaudited Financial Results of the Company (Standalone & Consolidated) for the quarter and nine months ended December 31, 2022.

The same shall be available on our website i.e. www.niit.com.

This is for your information and records.

Thanking you,
Yours sincerely,
For **NIIT Limited**

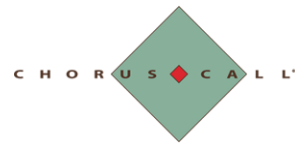
Deepak Bansal
Company Secretary &
Compliance Officer

Encls : a/a



“NIIT Limited
Q3 FY '23 Earnings Conference Call”

January 31, 2023



Management: **Mr. Vijay Thadani - MD and Vice Chairman**
 Mr. Sapnesh Lalla - Chief Executive Officer and
 Executive Director
 Mr. Sanjay Mal – Chief Financial Officer
 Mr. Kapil Saurabh – Head M&A and Investor
 Relations

Moderator: Ladies and gentlemen, good day, and welcome to the NIIT Limited Q3 FY '23 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vijay Thadani, Managing Director and Vice Chairman of NIIT Limited. Thank you, and over to you, sir.

Vijay Thadani: Thank you. Good afternoon, and good morning, and good evening to others who are not in the same time zone as what we are. And first of all, thank you very much for your interest in NIIT and for joining this call. This is a busy time for you to be attending many, many calls. And I thank you for making the choice to attend the NIIT Limited call.

The agenda today is to discuss the business performance for the third quarter of financial year ending in March '23. While my colleagues, Sapnesh; and supported by our CFO, Sanjay Mal; Kapil Saurabh from Investor Relations; as well as our Chairman, Mr. Pawar, we will altogether try to answer everything and will give you a more detailed brief.

I just wanted to make some opening comments -- but first, despite a turbulent macro environment that we see around us, the businesses have done well compared to what we thought we would be able to do in quarter three. The second is that during the quarter, NIIT made a significant acquisition. We now have St. Charles Consulting Group from Illinois, US, who've become a part of the NIIT family, and we are very proud to have them as a part of us, and their expertise as well as capability that they've built over a couple of decades would be of immense use in charting the growth path and strategy for NIIT in times to come.

As I mentioned, they are based in Illinois, US, and they're a leading provider of strategic learning interventions to top-tier global professional services and management consulting firms. This has been a space both in terms of capability as well as the customer segment, which has been a -- which was a blank in our strategy and therefore, their capability and the penetration in the attractive customer segment, which, by the way, is in many ways recession proof because every time there is volatility in the environment, professional services and management consulting organizations tend to do well.

So we feel very proud to have them. And including St. Charles' financials, which have been consolidated with NIIT and CLG's accounts from November 5, 2022. The overall growth is 16% Q-o-Q at 18% year-on-year. Due to the prevailing market environment globally, including India, parts of SNC, the other part of the business servicing GSIs that is Global System Integration firms and technology OEM customers did face headwinds and therefore, recorded muted growth. However, the solutions which are serving large BFSI firms and enterprises experienced growth, very impressive growth, owing to increased consumption. There is more detail behind this.

And now I will invite Sapnesh to brief you on the quarterly results and the operating performance. And after that, we will open it up for Q&A. Over to you, Sapnesh.

Sapnesh Lalla:

Thanks, Vijay, and thanks, everyone, for joining this call. Like Vijay pointed out. We appreciate your time and we are very aware how busy you are and -- with everything that's going on. And we really appreciate you taking the time to attend this call. Please note that the financials that I report include the numbers from St. Charles from the day they joined NIIT. That is November 5, 2022 onwards. I'll provide a breakup at relevant points in the call where I will separate the performance of different parts of NIIT with and without St. Charles' numbers.

From an overall perspective, let me start with the highlights at the NIIT level for the quarter, including the St. Charles Consulting Group's numbers, which have been now consolidated with NIIT from November 5. The revenue stood at INR 4,546 million. It was up 18% year-on-year and 16% quarter-on-quarter. The EBITDA stood at INR 908 million, up 62% Q-o-Q and 10% Y-o-Y. The EBITDA margin at 20%, up 570 basis points quarter-on-quarter.

Net other income was negative INR 37 million, and I'll provide a breakup of this a little bit later in the call. The profit after tax was INR 550 million resulting in an EPS of INR 4.1 per share. Let me now break this down by business for you. The Corporate Learning Group, including St. Charles Consulting Group. The revenue for the quarter was INR 3,636 million, which was up 22% year-on-year and 21% quarter-on-quarter. In constant currency terms, the revenue was up 15% year-on-year and 17% quarter-on-quarter. The EBITDA was at INR 845 million, up 16% year-on-year and 58% quarter-on-quarter. The EBITDA margin was at 23%, up by 544 basis points from a quarter-on-quarter perspective.

At an organic level, the CLG business had a revenue of INR 3,298 million, which was up 11% year-on-year and 10% quarter-on-quarter. In constant currency terms, revenue increased 6% year-on-year and 8% quarter-on-quarter. The EBITDA was at INR 749 million, up 3% year-on-year and 40% quarter-on-quarter. The EBITDA margin was at 23%, up 491 basis points quarter-on-quarter. The margin improvement was predominantly driven by cost optimization as well as improved utilization of resources as well as borne occurrence of certain onetime expenses that were incurred in the previous quarter, predominantly around transition of new customers.

Our planned investments in sales and marketing are continuing and have driven strong customer additions. We signed one new insurance group as an MTS customer this previous quarter, this takes our customer tally to 71. CLG also continued -- continues to receive 100% renewals from existing customers, quarter three saw renewal of all seven existing customers -- customer contracts that came up for renewal. The business has also received a number of contract award confirmations in the quarter, and these contracts are in the contracting space at this time, and we expect them to close towards the end of Q4 and will be in operation as we enter the next fiscal year.

The revenue visibility at the end of the quarter was INR 321 million. Please note that the customer count and visibility does not include the customers that St. Charles brings to the NIIT

family. We will watch the visibility and the operations over the next several quarters and then decide whether to include the visibility from St. Charles customers into the CLG visibility. From an overall perspective, I continue to see a healthy pipeline of new customers as well as new opportunities that create both wallet share expansion opportunities as well as potential to enter new market segments.

While the organic growth was impacted in H1 due to the environment, the performance in Q3 has been a little bit ahead of the guided range on account of faster-than-expected ramp-up in a couple of new customers.

Q4 is typically a weak quarter for CLG. Historically, we see either a flat Q4 or a tad lower than Q3. This year, we are expecting similar growth or similar performance as compared to Q3 on an organic basis for the Corporate Learning Group. Of course, with the addition of St. Charles to the family, we expect the overall performance to grow single digits sequentially.

As a result, we expect the full-year growth to be in the early teens in constant currency terms. INR growth is expected to be around 20% with approximately 20% EBITDA margin. Despite the near-term volatility in spend, I think it is prudent to continue to invest in the long-term growth trajectory of the company, given the large potential that we see in front of us. We hope that these investments will help us increase the share of wallet with existing customers and also enable us to penetrate new market segments as well as new geographies.

Coming to the SNC business now. The revenue was at INR 910 million, was up 4% year-on-year and down marginally on a Q-o-Q basis. EBITDA was INR 63 million as compared to INR 25 million in the previous quarter. While Q3 is typically weaker as compared to Q2 for SNC, the growth in Q3 has been muted due to the impact of slowdown in hiring as well as training spends. More specifically as we look at our GSI, GCC and large tech customers. The consumption of training is seeing near-term compression as companies proactively prepare for the uncertain environment that they are staring at. This is leading to reduced hiring, which is impacting the demand for training from our customers. Again, more specifically in the GSIs, GCC and large tech OEM segment.

On the other hand, we also address banks and a number of large Indian enterprises as customers, and there, we are seeing expansion owing to the growth strategy -- or the growth that Indian large enterprises are seeing. The part of the portfolio linked to global tech and services market is experiencing uncertainty, the net hiring is down. We are seeing a number of layoffs, reduced sequential growth. And therefore, this segment, specifically GCCs, GSIs and large tech OEMs are likely to see temporary compression in demand linked with new hire training.

The remaining portfolio, which is focused on domestic consumption is expected to continue to see growth. Despite the near-term uncertainty, we continue to see a multiyear acceleration in demand for skilled talent as we look ahead. With wide range of openings for deep skilling and digital skills, we are well equipped to help our customers with their talent transformation needs

as they look ahead. StackRoute and TPaaS, the two key initiatives over the last few years have grown 11% year-on-year and contributed 35% to the SNC revenue in Q3.

Our B2C programs are ramping up and helping the learners achieve very strong career outcomes, learners who joined us, have been getting offers that are almost twice the starting salaries of campus hires. So they're seeing significant outcomes and significant improvements in the salary with the kind of education and training outcomes that we are providing. Overall, for the SNC business, we expect the growth percentage for the year to be in the range of low to mid-40s with a single-digit EBITDA margin.

We've talked in the past about the acquisition of St. Charles. So I'm going to do a repeat primer just so that anyone who's missed some of the previous calls has a little bit of context on St. Charles. NIIT acquired 100% stake in St. Charles Consulting Group, a company based out of Illinois in the United States on November 4, 2022. The company has served 12 out of the 15 top global professional services and management consulting companies. It has longstanding and trusted relationships with its customers, many of them have been in relationship with St. Charles for over 10 years.

The solution set includes various L&D practices, including custom learning experiences, learning duration and managed services. But overall, their solutions are targeted to creating strategic learning interventions for their customers. Their focus from a customer segment perspective has been on top-tier strategy and management consulting companies. St. Charles has a network of over 500 expert L&D professionals and several of them are used on different projects depending on the skill set and requirements of the projects. As I mentioned to you in the past, NIIT's inorganic strategy focuses on adding new capabilities, new markets and new geographies to NIIT's portfolio of offerings. The St. Charles acquisition adds a new and attractive customer segment to NIIT's list of customer segments. The management and strategy consulting companies spend approximately 2.5x on L&D as compared to average Fortune 1000 companies. So, the segment the ready attractive segment for NIIT and with the acquisition of St. Charles, we are able to create significant penetration into the segment.

The acquisition also creates a new capability for NIIT by way of which NIIT would get a seat at the C-level table when the need for strategic learning intervention shows up in an organization. As I've mentioned in the past, talent and talent transformation is on the top five agenda items of every CEO of a global corporation and this additional capability will give us significant stress and create distance between NIIT and competitors as we look at the large annuity relationship with our global customers and global partners.



The transaction was closed with an upfront consideration of \$23.43 million with the balance to be paid as earn out in tranches over the next 4 years contingent on performance over this period. At the top end of this consideration is capped at \$65.1 million other than the cash and working capital adjustments. Overall, the financials for the quarter include an impact of INR 37 million in net other income. This includes treasury income of INR 137 million was offset by INR 174

million in expenses primarily related to the transaction-related expenses of St. Charles, INR 164 million, including onetime financing costs compared to part of the transaction.

The balance sheet continues to remain strong with enough liquidity for investments. The net cash position is at INR 11,089 million versus INR 12,597 million previous quarter this is down INR 1,508 million. This includes the impact of two significant transactions. First, payment of upfront consideration of St. Charles, US \$23.4 million, and transaction expenses, as I pointed out earlier, as well as the second tranche of the purchase of an additional 20% stake in RPS Consulting, which we acquired more than a year ago. With this addition of 20% stake NIIT's stake now stands at 90%.

The DSO days were at 61 days, marginally higher than 57 days at the end of Q3 last year, primarily due to calendar year end invoicing and the timing difference of collections. Tax was at INR 145 million for the quarter. On a trailing 12-month basis, our ROCE including cash on books is at INR 19.8 million. As of December 31, we had 3,272 NIITians on our rolls. This is down 27 on a quarter-on-quarter basis. To sum it up, we continue to see a large opportunity with multiyear growth opportunity of both of our businesses, a strong competitive position and the right to win in the markets we serve.

Near-term uncertainty has had a short-term impact on consumption of training, as I shared the last time we met. However, the CLG business has seen a recovery in growth and margins. And as expected, this quarter, SNC business has experienced muted growth given the environmental headwinds I know I spoke a lot, but hopefully, I was able to provide you context for our discussion.

And Vijay if you could now provide a quick summary on the strategic initiatives.

Vijay Thadani:

Thanks, Sapnesh. A quick update on strategic initiatives. I think in addition to the acquisition of St. Charles, which Sapnesh for a while talked about, NIIT also acquired additional 20% stock in RPS Consulting for a consideration of INR 358 million as per the terms of the original share purchase agreement that we had signed in October of 2021. So, with this, NIIT now owns 90% share in RPS Consulting. Also, a quick update on the composite scheme of arrangement for demerging NIIT into NIIT Limited and NIIT Learning Solutions Limited.

So as shared earlier, the company had received necessary approvals from stock exchange and SEBI. And the scheme was filed with the NCLT. First motion hearing was completed on July 25, and we had received directions for convening meetings with various stakeholders. As per direction, shareholders' meeting was held on November 15. Resolution saw unanimous support from investors and has been approved. The results for the same have been in the public domain, and we are now waiting final statutory NOCs before the final order. We expect -- at this point of time, the whole scheme is on track as per the original schedule that we had thought of. And we do believe that by -- and we should achieve a logical conclusion in the first quarter of the coming financial year.

So with that, I would now open the floor for Q&A. And operator, please -- and may I request the first round, everybody gets a chance to ask one question. And then in the follow-up rounds, they can add many more.

Moderator: First question is from the line of Baidik Sarkar from Unifi Capital.

Baidik Sarkar: Nice pullback quarter, more than one question. So in the domestic business, you've gone flat for 3 quarters now, and we were given to understand that this is a H1 heavy business given all the acquisitions we've done. Does that thesis still stand? That is when Q1 of '23 -- of '24, I beg your pardon, Q1 of '24, will that quarter see the next jump up in revenues? And your comments around hiring weakness is well received, but the fact is India is still in a net hiring market, right? So does that get in the way of your earlier high-growth trajectory of 20% to 50% Y-o-Y? And our margins that came in at almost 7% this quarter, do we see accretion from here on of do we go sideways for a while before the next leg up?

Vijay Thadani: No. I think your question is on two parts. One is to do with CLG. And I didn't quite understand that part, but maybe Sapnesh did...

Baidik Sarkar: No, my question was actually on the domestic business, on the domestic SNC business, we've gone flat for three quarters now on the top 1 line. So let me repeat. I understand you've guided to be -- this was guided to be a H1 heavy business. So, my question was, can we expect accretion -- significant accretion in Q1 '24? And your -- I think in Sapnesh's comments around some kind of hiring weakness in India. The point I was trying to make is, it was still a net hiring market. So, does that comment get in the way of our earlier 30% to 50% kind of growth trajectory?

Sapnesh Lalla: Let me clarify something that you mentioned. If I heard you right, you said that we've seen flat revenues over the last three quarters. You're right, the revenues have been range bound in the last three quarters, but the revenues that were achieved in the first two quarters of the year actually saw growth, which was quite significant, 145% in Q1 on a Y-o-Y basis, 119% in Q2 on a Y-o-Y basis. And then as far as Q3 is considered 4% on a year-on-year basis. So, you're right in saying that we've seen range-bound revenues over the last three quarters. **It is a seasonal market.**

We see significant upswing in training, specifically in Q2, and we saw that this year. As compared to last year, this year has seen significantly higher growth, especially in Q1 and Q2. Q3 has been a different story. While you pointed out that India is a net positive market, but the largest GSIs, if you look at them, they've had a net negative hiring scenario this past quarter. And what the leaders are doing permeates down to the overall market space. Also, as I have earlier pointed out, why the large GSIs have had maybe a net zero or slightly negative hiring scenario, the large tech OEMs have actually done significant layoffs, which have also dampened the mood. So those things pulled together had significant impact on the SNC business.

However, I did want to point out that about 75% of NIIT's domestic business is focused on technology, which includes customers who are GSIs, GCCs and the large tech OEMs. On the

other hand, the balance 25% or so focuses on large Indian enterprises, which are focused on the India consumption strategy, and these include the large private banks as well as the large conglomerates in terms of India enterprises. And they have experienced growth and our business with them has also seen mid-teens growth.

So, I think having a balanced portfolio is a good thing. I do feel that there is a possibility of the hiring scenario rebounding as we get into H1, but the jury is still out. I want to see how the mood starts to change in Q4 and maybe early Q1 before we solidify those comments. I would say that our thesis that we see mid -- early or mid-40s in terms of growth for this year continues to hold. Next year, we will be able to comment on as we go through the next several weeks in Q4.

Baidik Sarkar: And my last question on margins at 7%. Do we see accretion from here on? Or do we go sideways before the next leg up?

Sapnesh Lalla: When you say margins from an overall perspective?

Baidik Sarkar: No these are for the domestic business. I'll come back to the CLG later.

Vijay Thadani: Margins as far as the SNC business. This is in line with what I had mentioned for the year, the margins are likely to be single-digit margins for the year. And we are continuing to be in an investment phase, quite specifically for the B2C go-to-market for the domestic business. We'll see margins being range bound in the single digits for the next few quarters before they start ramping up as we establish our product market and operating layers.

Baidik Sarkar: If I may just squeeze in one last question to Sapnesh here. Sapnesh your commentary on the macro weakness in the West is very well received and agreed upon. But given the opportunity spectrum, our ability to consolidate should still stand ground and that's perhaps reflected in our order book accretion of at \$321 million, 5% sequentially. So how do you see this or imagine this accelerating in the times to come, especially given the investments we've done in sales and go-to-market? And its early days, but how should we imagine the quality of growth in the CLG business in '24?

Sapnesh Lalla: See, like I've always said that we are very, very high on the opportunity that's in front of us. We have a very significant opportunity. We are among the top five managed training services companies in the world. The companies we compete against are the likes of IBM, Accenture, Conduent, and so on and so forth. And I know for sure that they have bigger and better fish to fry than focus on learning. So, we have a great opportunity in front of us. We have been able to accelerate our ability to add new customers. And with the acquisition of St Charles and in future, more investments such as these, we will be able to expand our wallet share with our existing customers.

We are all acutely aware that several of our customers have compressed spends given the uncertainty in the market. But over a period of time, as the uncertainty lifts, the spends will start going up, and we'll see growth on the vector of our existing customers. But then, like I pointed out, we are continuing to accelerate our customer acquisition, and that will actually accelerate

growth. So, I see a strong growth opportunity in front of us. We have a strong ambition, and the ambition has only grown bigger. We have a strong balance sheet, and I think that's -- that goes well given the opportunity for our growth potential.

Moderator: The next question is from the line of Pooja Doshi from Praj Financials.

Pooja Doshi: I wanted to understand what is your customer acquisition process in our Corporate Learning segment? And what is the switching cost from NIIT to be competitors?

Sapnesh Lalla: That's a great question. I could spend a day with you on that, but I'll try to summarize it. **Our customer acquisition process has a number of steps. A large step is ensuring that our prospective customers gain awareness of what NIIT can do. And we do a lot of work with respect to thought leadership, consulting, attending conferences, running events to ensure that our prospective customers have the ability to become aware of what they can achieve with NIIT.**

A number of those customers, once they are aware of what NIIT is capable of doing, engage in conversations with us, some of them at the point when they are ready to look at an initiative, but several are engaged with us as in the formative stages of their thought process, we are often able to consult with them to help them formalize what they want to do and then enable them to go to the next step, which tends typically to be an RFP. Most RFPs tend to be competitive. So, we've had some situations in which the customers have achieved strong confidence even in the formative stages, and they choose to single source through NIIT without RFP, but that's the minority.

So the typical process would be to do an RFP and then post RFP a selection process that's typically done by a panel. That's the process. It takes about 6 to 9 months. Sometimes depending on the need and comfort it gets accelerated, it is typically 3 to 6 months duration. Did that answer your question?

Pooja Doshi: And if you could comment on the switching costs from NIIT to the others? So like what is your right to win in the business, what top customers from -- switching from NIIT to the competitors in terms of CLG training.

Sapnesh Lalla: Sure. I think the biggest switching cost to a customer, if you think about it, I'll try to use a very simple example to illustrate my point. If you are attending a class, there are typically 20 students in a class and one instructor. So what an organization spends on training in direct terms tends to be a small fraction of what they actually spend. **The biggest spend is really in the time that their employees spend getting through the training.**

Now with NIIT, what they have is an organization who is laser-focused on achieving outcomes from the training in the shortest period of time. So what that means is that the student spend the shortest time getting trained and they achieve the skills that are needed for the most critical tasks that they have to do. If they were to look at switching and God forbid, they switch to an organization that ends up taking longer to train and still not achieve the objectives while they might lower their cost of training or they may keep the cost of training the same, but the internal

costs that they spend goes up many-fold and that's really the fear or the large switching cost that most of our customers face, where if the supplier that they switch to is not able to create outcomes, is not able to run a highly reliable system that the company gets used to with NIIT, they end up losing a lot more than what they are actually saving or spending on training.

The other thing I would point out is that in the last customer survey we did, which was just about 1.5 months ago. We got an NPS score of 9.03%. What that really says is that a very large majority of our customers, over 93% are promoters.

Pooja Doshi: And sir, lastly, if you could give me a revenue mix of mandatory versus non-mandatory training in the CLG side of the business.

Sapnesh Lalla: It tends to be about 50-50. Of course, customers, for example, those who are in the segments, which are highly regulated like banking, financial services, insurance, pharma, life sciences, parts of telecom, energy, mining. They have a slightly higher percentage of regulatory training, as compared to those who are technology segments.

Moderator: The next question is from the line of Shradha from Amsec.

Shradha: Congratulations on a good quarter. Two questions. Sapnesh, how do you define the demand environment now versus what it was, say, a quarter back in terms of how is the consumption of training in your existing large accounts? How has the budget changed in the last one quarter? Has it incrementally deteriorated further or has it been staggering. So overall, from your large existing accounts perspective, how do you see the consumption of training spend here?

Sapnesh Lalla: And I think this question is more pertaining to CLG or...

Shradha: Yes, to CLG, with reference to CLG.

Sapnesh Lalla: Yes. I think it's a great question. In terms of consumption, we've done a lot of analysis on this. What I would say is, if you go back a few years, if you were to look at the year before COVID, if you took that, the consumption in the year before COVID, as say baseline or let's say, if you call that 100. In COVID year that consumption went down between 25% and 35%. So let's say, if it was 100 pre COVID, it went down to 65 to 70. In the year after COVID, it started edging up a little bit.

It went up to, say, from 65 to about 75 or 77. This fiscal year, I've seen that dip a little bit back to maybe just at about the COVID level or a little bit above COVID levels, I would say, 65% to 70%. So that's been the change in the consumption pattern. This is contrary to our expectation because our expectation was that post COVID, it had started -- consumption has started going up, and our expectation was that, that consumption would accelerate. But the sudden sourness in the macroeconomic environment, predominantly owing to the uncertainty, the consumption has compressed.

Shradha: But I mean despite significant compression that we saw in our large existing accounts in the COVID year, we could still manage very high growth rates because of acceleration in new client wins and faster than perform those deals. But this time around, I think this mediating aspect is not working as much in favor as we would have expected that to work despite we being announcing a number of deal wins. But in terms of net new addition to revenue, that seems to be not as much as what we have seen in COVID year. So any thoughts on this?

Sapnesh Lalla: Yes, you're right about that. That's at least what the numbers say. The only thing I would say, if you look under the numbers is that while we've gone through what appears like two different recessions over the last 3, 4 years, the first one, which was induced by COVID, resulted into us identifying an interesting growth area. Real estate became a very interesting second job for a lot of people, and we were able to get a lot of growth in spite of the financial uncertainty out of our real estate business, on which we had invested well ahead of time, and we saw significant growth coming out of that.

And the current financial environment actually does not favor a lot of real estate transactions given the mortgage rates, it is upon us to find avenues of growth. Our investment in St. Charles is one such avenue. It has required investment and it is my expectation that it will create a return for us. And we continue to look for avenues that will create growth opportunities for us. Now from an overall perspective, from an overall perspective, there are still 1,000 customers' prospects in Fortune 1000. That has stayed the same. Over the last -- at least since I was born, Fortune 1000 continues to have 1,000 prospects and customers.

We have only 71 of those as our customers. Each of them spends a lot more than what they spend with us. And what that says is, as we acquire new customers and as we start doing more with our existing customers by adding more capability to our portfolio, we have a multi-vector growth opportunity. And I think that's really what excites us and gives us the ability to have the kind of ambition that we have articulated in front of our stakeholders.

Shradha: And the other question, Sapnesh, is on the margin guidance in CLG. I think the 9-month average, we are pretty much running ahead of the 20% guidance. So why are we hesitating in upgrading the margin guidance in CLG or is it that we are expecting a dip in margins in 4Q?

Sapnesh Lalla: Look, you read newspapers just as well as I do. Maybe you read them a lot better than I do. There is uncertainty in the market. And with uncertainty, there is only so much we can tell. The margin has been good. We worked hard to ensure that -- and we are working hard to ensure that it stays that way. But there is uncertainty in the market.

And on the other hand, to get ahead of uncertainty, we are making disproportionate investments in sales and marketing as well as capability building. And that hopefully will not compress margins any further, but we want to make sure that we have -- we are not staying shy of making investments -- I hope that answers the question. I didn't mean it in a negative way.

Shradha Agrawal: And if I can squeeze in one more question. So on the domestic side of the business, you did indicate that global SIs and global large tech OEMs are seeing layoffs and hiring freezes, and which is why consumption of training is lower there. You also cater to large global SIs in your CLG business.

And if I'm not wrong, tech is almost 20%, 25% of your CLG overall revenue. So how do you see the prospects of tech and CLG overall, given what we are hearing in news on layoffs by large tech companies?

Sapnesh Lalla: So that's a great question. Tech forms the largest -- tech and telecom forms the largest segment for the CLG business. We have been able to continue to acquire new customers and actually grow them at a rapid rate. And while the training spends of tech and telecom customers have compressed some. But the rate of change of technology is so rapid that from a long-term perspective, even though we might see temporary reduction in consumption of tech training, we are likely to see significant expansion because across all the areas that you can think of, technology is changing at the most rapid pace. And most organizations, whether they are banks or they are insurance companies or commodities companies or oil and gas companies; most of them are using technology as part of their transformation strategy.

And so, if they're going to use technology as their transformation strategy, then to have still talent, who is able to use the technology, to deliver the business outcomes that they have bought the technology for, becomes critical. Now we can say that, okay, for a little bit, the training spend will go down. But the one thing that most enterprises are doing is disproportionately investing in technology, and that would result into increased investment in training of technology professionals. It will see a little bit of hiccup in the near term. But from an overall perspective, technology is one of the biggest drivers of change and improvement in productivity, and therefore, technology training will continue to have...

Moderator: So we take the next question that is from the line of Saurabh Sadhwani from Sahasrar Capital.

Saurabh Sadhwani: My question was, in CLG, we have done very well this quarter and I was wondering what led to this growth? Was it new trainings or was it re-training of employees or was it more of regulatory and periodic training that customers need?

Sapnesh Lalla: I don't -- let me first say what I believe was the growth in training. It was predominantly ramp-up and faster than we expected of a couple of customers that we had acquired recently. So predominantly on account of new customer acquisition. Now from an overall perspective, the type of training that we are delivering, whether it is up skilling or reskilling or new skilling that has not changed a lot over the last 4 quarters. We seem to be doing similar training for most of the customers. Most customers allocate budgets towards regulatory or new initiatives or BAU by training and most customers have not significantly changed their allocation.

What they have changed is from an overall perspective, reduced the size of the cost. But the divisions in the costs have remained more or less the same. There may have been some quirks

but divisions have remained more or less. So to complete the answer to your question, most of the growth that we have seen has been on account of new customers. It is plausible that at times of compressed training spends, a lot of what gets spent is on regulatory training. But from an overall perspective, we've not seen a lot of change in what the money is being spent on.

Saurabh Sadhwani:

And you say that you didn't -- the ramp up that customer did was better than you expected. So do you expect it to be similar, going forward, in the year?

Sapnesh Lalla:

So sometimes it is a question of how soon a customer wants to ramp up or move away from one of their incumbents. In this situation -- let me see how I can say this. In this situation, our customer happened to be a large aerospace company and they were seeing a lot of demand for manufacturing of airplanes, and they wanted to ramp up their training in a very significant way by they are first hiring a lot of people and then training them.

And the demand side of their business was growing very rapidly, and they chose to accelerate the training because they wanted to bring on more people. Now the reason why I provide this detail is because this is very, very specific to a customer. And generalizing it is hard. Some customers want to ramp up ahead of what's typical, others ramp up in what is typical.

Moderator:

The next question is from the line of Siddharth Bassi, an Individual Investor.

Siddharth Bassi:

Congratulations to the management, I think today, we've hit record EBITDA numbers. So I think it's a day of celebration as well for the entire NIIT family, take a number of INR 90 crores is great going, especially in this environment. Secondly, my compliments to the management in terms of how they've been wading through such uncertainty and difficult times. I see CLG is doing really well. And I think that as the environment looks to improve, CLG will keep on getting better. So no questions on that front from me. I just had a couple of questions on the SNC side of the business. I had a couple of more feedbacks to give the management, which I'm hoping that they will obviously -- you are so responsible that you will take note of them.

Firstly, my question on SNC since although not similar models, but we are kind of competing with Scaler, upGrad and these guys are running on private equity money and are just basically burning money like anything in terms trying to acquire market share. Now that is where I am somewhere worried about the B2C segment. How are we planning to compete with these guys, where they are willing to acquire customers at significant losses and you have someone willing to fund their losses as compared to our strategy of being conservative. So how do we ensure that we compete with those guys on an SNC level? I personally feel that a better strategy could be just to go B2B, train them there and sort of continue to brand ourselves over there and then have them shift to us.

My second question, again, rather feedback is like I look at our social media platforms in terms of what NIIT is doing on Facebook, Twitter, Insta. And I see that while we have a digital team, our views on our Twitter, we don't even get 1 or 2 retweets, we don't get views at all, similar for Facebook, Instagram. Now this could be organic ways to generate some sort of chatter. I see the

NIIT Foundation getting more views on their Twitter feeds than what NIIT does. On our website, we have videos, which are not present anywhere else on our social media platform. So while I see Scaler, Simplilearn people putting up their videos, I don't see the same for NIIT SNC. So that's one question as to how do we compete with the likes of upGrad especially considering they are willing to burn a lot of money and we are not, which is a great strategy, I think, personally, I feel. And second is -- so firstly, if you could answer this when I come to my second question, please.

Sapnesh Lalla:

Thanks. Great questions and great feedback. So I'm not going to respond to the feedback other than saying that we will do everything that we can to make sure that you don't have to repeat your kind words. We will ensure that you will see a difference when we meet next time over. In terms of why and how will we compete against the likes of what you mentioned. I think the part that makes me feel confident that it is a battle worth fighting and winning, and we have a great chance to win this, the fact that **our focus has been on creating outcomes**. And when a student spends 6 months with us, it's among the most important choices that they make. **And those who make that choice in studying at NIIT are able to see the outcomes and the outcomes are way ahead of industry benchmarks.**

That gives us a feeling that we will be able to compete and actually win because we are winning on the right terms. **We are not winning on our ability to spend the money, but we are winning on our ability to create a transformation in a student that ends up changing their lives.** I think that's a battle worth fighting. In terms of how will we ensure that we win some by taking your feedback to heart. But in addition to that, continuing to focus on creating outcomes, but B, once we are able to have a critical mass -- we know how to scale. We have scaled in the past, and we have the playbook on how to scale.

The key is to ensure that we prove the product markets it and then scale it. In simple terms, we call it nail it before you scale it, rather than the other way around where you scale it. And then at a later point in time when you've burned a lot of cash figured out, my God, we also had to nail it. So nailing it before we scale it is really how we are hoping to win this patty, but I think it's a great question.

In terms of -- I think you also mentioned that why the heck are we fighting this battle at all? I think the big strategic point here is that on one side, we have great corporate customers that you alluded to in India, who support us, who choose to buy training from us. **The interesting thing is that if you go on to LinkedIn, a lot of our GNIIT students actually are working for the corporates who end up trusting NIIT with their training because they themselves had great experience. So that's a big differentiator for us; the fact that a number of our corporate customers continue to trust NIIT in creating outcomes.**

So our view is that it is a lot better in long term for us to have a balanced strategy, where we have the ability to transform an individual slide as well as selectively help an organization achieve their digital transformation. Long answer to your short question, but I hope it made sense.

Siddharth Bassi: Sir, one last question. This is more in terms of the stock in terms of valuation. As a shareholder, obviously, you also like the numbers are great, and we're undervalued. I can clearly see that in terms of the market value. What steps should we take within the CLG and the SNC do you know to recall to investors to explain the value, like for example, SNC will become a smaller version, a smaller part of the company.

How do we -- what plans do we have to go out with the larger investor community, the analyst community, talk to them, give them an idea about what we're doing in the business so that we also get a similar sort of valuation like what the private players are getting or if not the private at least, there should be a valuation which should support the fundamentals. And similarly, for CLG, what analysts needs or what proactive steps are we planning to take in order to improve that because that also is a very important aspect for shareholder return and shareholder value. Like it is always great to see our stock at INR 500 other than INR 300, right? Even though I know the value could be even larger than INR 500.

Sapnesh Lalla: Absolutely great point. I think we have to continue to communicate our story. And from what I hear you say, we haven't done a very good job in doing that. But it is our goal to actually significantly improve the way we are telling our story and tell our story to many more.

Siddharth Bassi: Sir, just one last point. Not a criticism at all. I think your team has done a brilliant job. See, I think the team at NIIT is extremely responsive with especially Investor Relations. And I think you're doing a fantastic job. And I just said that if you could focus on it a little more. That's all. No bad points at all from my end, I think, this is a fantastic company with a great management. And I really thank you for the opportunity you are also providing small individual shareholders like myself. Thank you so much and congratulations for a great day today.

Sapnesh Lalla: Thank you. Thanks for taking the time.

Moderator: The next question is from the line of Rahul Jain from Dolat Capital.

Rahul Jain: If I heard you right, you said CLG growth of early teens organic for this year and mid-40s for SNC? Is this the number right that will help?

Sapnesh Lalla: Yes, you heard it right.

Rahul Jain: So if I do my math, this would basically imply some Q-o-Q growth for Q4? Or is it because of the CC that we see it slightly differently for CLG?

Sapnesh Lalla: For CLG, Q4 typically tends to be a flat or a tad lower quarter as compared to Q3. And that's just a seasonal part of the business. Most of our customers get done with their budgets in our Q3 or their December and then it takes them a little bit to restart with the new year's budget. So Q4 tends to be either in line with Q3 or a little bit lower. Typically lower. Yes. Historically, it's been lower.

Rahul Jain: Yes. I mean, even if we have to achieve...

- Sapnesh Lalla:** Yes. With addition of St. Charles, we are likely to QoQ growth
- Rahul Jain:** So I mean, same charge just on number of days basis can become USD 4 million to USD 7 million. So even if we add that USD 3 million, and assuming our number at around USD 40 million to be flat, then still the full year would more look like slightly lower than 11%. So I'm saying that difference of 1% or 2%, if you have to do early teens, is it coming more from a CC difference, understand that we are looking at dollar growth versus CC?
- Sapnesh Lalla:** That's correct. It's in constant currency.
- Rahul Jain:** And for the Skills & Career, last time also, we saw Q4 to be a decline of close to 9%. Is that -- and the similar degrowth would make it 45%. Is that kind of a seasonal impact we're expecting in Q4?
- Sapnesh Lalla:** Yes. That's typical. Right.
- Rahul Jain:** And just lastly, on the -- on this onetime element, as you mentioned in the other income. Can you quantify that item and also mention what is the run rate basis, other income for us now?
- Sapnesh Lalla:** I will invite Sanjay to answer your question, he is our CFO.
- Sanjay Mal:** Thank you for the question. We had a one-time exceptional expense relating to the transaction, which was about INR 174 million this quarter. On a run rate basis, we are in the process of basically having a purchase price allocation, getting firmed up. For that we have taken a provision on preliminary basis, taken an impact of about INR 45 million, Amortization of INR 11 million and INR 34 million of finance cost, which is based on discounting.
- Rahul Jain:** Sorry, you were giving the breakup of this INR 174 million?
- Sanjay Mal:** Yes. INR 174 million, if you want to look at it, is the exceptional expenses essentially relating to the transaction.
- Vijay Thadani:** So there will be banker's cost, lawyer cost and stuff like that - due diligence cost, finance cost etc.
- Rahul Jain:** So essentially, the run rate outside of this is close to INR 120 million to INR 130 million, which we should see in Q4 because this won't be present in Q4 in the net other income for Q4.
- Sanjay Mal:** One time is INR 130 million. I'm saying the balance is about INR 45 million is what basically we have put it in this quarter, and we believe that as we solidify the mix proper the purchase price allocation, we would get the right number, which might be marginally...
- Vijay Thadani:** I think we should close the call now.
- Moderator:** We take the last question from the line of Surabhi Saraogi from SCML.

Surabhi Saraogi:

Sir, just one question. Can you please repeat your guidance for SNC and CLG?

Vijay Thadani:

For CLG from an annual guidance perspective, including of St. Charles, we are looking at mid-teens, early to mid-teens as in constant currency as growth and upwards of 20% as profitability. With respect to SNC, we are looking at growth of early to mid-40s and single-digit margins for the year.

Moderator:

Ladies and gentlemen, that would be our last question for today. I would now like to hand the conference over to the management for the closing comments. Thank you, and over to you.

Vijay Thadani:

Thank you very much. I think thank you for a very enthusiastic response to our results. And I think your questions always open up more frontiers in our mind to explore further as well as improve ourselves going forward. I think in today's conversation, we got some very useful suggestions on how we might position ourselves in the future.

And I think these comments really add value to us, and therefore, please feel free to share whatever suggestions we would like to on -- whenever you would like. It is possible we may not have addressed all the questions, but Kapil and Sanjay as well as all of us are available for follow-up calls, and we would be very happy to answer each and every question that you may have.

So thank you once again for coming forward to attend this call amongst various other commitments you had. We truly appreciate it, and we look forward to our future interactions. With that, we close this call. Operator, you may kindly close the call. Thank you.

Moderator:

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