



“NIIT Learning Systems Limited  
Q4 & FY '24 Earnings Conference Call”  
May 22, 2024



**MANAGEMENT: MR. VIJAY THADANI – MANAGING DIRECTOR AND  
VICE CHAIRMAN  
MR. SAPNESH LALLA - CHIEF EXECUTIVE OFFICER  
AND EXECUTIVE DIRECTOR  
MR. SANJAY MAL – CHIEF FINANCIAL OFFICER  
MR. KAPIL SAURABH - HEAD OF M&A AND INVESTOR  
RELATIONS**



**Moderator:**

Ladies and gentlemen, good day and welcome to the Q4 and FY24 Results Conference Call of NIIT Learning Systems Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing 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, Vice Chairman and Managing Director. Thank you and over to you, sir.

**Vijay Thadani:**

Thank you and good afternoon to all of you. Welcome to this annual results declaration that NIIT Learning Systems made this afternoon and the investor called to brief all of you. So, first of all, thank you very much for your interest as well as the fact that in this busy results season for you to spare time for us, we are indeed grateful.

We have the agenda item of discussing quarter four and annual results which my colleague, Sapnesh Lalla, who is the CEO of the company and who is at the helm of the ship, he will brief us and after that there are some board matters like dividend, etc., which I will mention and then there will be a Q&A on anything that you would like to know. We have the Chairman of the company, Mr. R. S. Pawar, we have the CFO, Mr. Sanjay Mal, Head of M&A and Investor Relations, Mr. Kapil Saurabh, as well as other senior folks joining this call. So, we'll be able to answer most of your questions and if there's anything that gets left, then we would separately get back to you. So, with that, welcome again and over to you.

**Sapnesh Lalla:**

Thanks Vijay and thanks everyone for joining. Good afternoon to you all. I will walk you through our prepared comments on the performance in Q4 as well as how the year was, how financial year 2024 was.

Starting with the fourth quarter, quarter ending March 31st, 2024, the revenue for the quarter was INR3,979 million. It was up 2% quarter on quarter and 3% year on year. In constant currency terms, the revenue is up 2% quarter on quarter and that's building on 3% quarter on quarter growth that we saw in the previous quarter. The EBITDA was at INR 995 million, up 7% quarter on quarter and 5% year on year. The EBITDA margin was 25%. It was up 113 basis points quarter on quarter and 43 basis points year on year.

The margin improvement was driven by a better product mix as well as improved resource utilization. In the face of heightened uncertainty in the environment, the business has demonstrated resilient growth and has improved its margins. The growth has been driven by addition of new customers as well as improvement in wallet share from existing customers.

While our existing customers, several of them, are still in pause mode on high ticket investments relating to training, on the other hand, pressure to optimize costs is creating new outsourcing opportunities for us. However, given the uncertain times, decision-making cycles continue to be long. During the quarter, we added one new MTS customer.



We renewed three contracts that had come up for renewal and maintained our 100% track record on contract renewals. We also expanded one MTS contract. The deal pipeline continues to be strong, including a few large opportunities where we are placed favorably.

During the quarter, we successfully hosted the 16th edition of our annual customer event Confluence 2024. This year's event saw participation from over 100 learning leaders from Fortune 1000 and Global 500 companies, including several of our customers and key prospects. Some of the key themes we discussed during the Confluence included the pivotal role L&D can play in the rapidly evolving talent landscape at large enterprises as they respond to the market uncertainty, generative AI and how it can help transform L&D.

And the path that L&D leaders should follow to create adaptive learning organizations and how NIIT can help them become adaptive learning organizations. Coming back to financials, the depreciation for the quarter was INR127 million as compared to INR143 million in the previous quarter. The quarter-on-quarter decrease is primarily due to full quarter impact of change in amortization period for a large project.

Net other expenses were 29 million versus 16 million in the previous quarter. Demerger and related non-operating transitional expenses were 12 million and other expenses of INR30 million. Profits before tax was up 29% year-on-year and 8% quarter-on-quarter.

The tax was 294 million. The tax rate was higher this quarter as compared to the normal. The normal tax rate is in the 28% ballpark. It was higher this quarter because of foreign tax credits as well as withholding tax on inter-company transfers. For the quarter, the profit after tax was INR 544 million and the EPS was INR 4 per share. For the year, revenue was up 14% year-on-year at INR15,535 million.

Revenue was up 10% in constant currency. The organic revenue is up 6%. The St. Charles business that we acquired in November of 22 is now fully integrated and is operating synergistically with the outsourcing business. The EBITDA was INR3,762 million. It was up 19%. The EBITDA margin was 24%, up 106 basis points on a year-on-year basis.

Margin improvement was driven by continuous focus on cost as well as by creating a better product mix during the year. This is in spite of continued investments in sales and marketing as well as build-out of new capability specifically around generative AI. The depreciation was 592 million versus INR471 million.

The net other expenses were 200 million versus 398 million in the previous year. The profit before tax was up 30% year-on-year at INR2,971 million. The tax was INR839 million. During the year, the company added 11 new managed training services customers as well as renewed contracts with 11 existing managed training services customers retaining the 100% contract renewal track record. The revenue visibility at the end of March 24 stood at \$335 million. In terms of balance sheet, the metrics continue to remain strong.

Free-cash flow for the year was INR2,328 million including INR770 million in Q4. The days of sales outstanding were 53 days as compared to 52 last year and 59 in the last quarter. Cash and



cash equivalents were 6,589 million. The net cash was 5,659 million. It was up 60 million quarter-on-quarter at 1,095 million year-on-year.

The capex for the year was 485 million. Our key return ratios, including ROCE and ROE, continue to remain strong. The company ended the year with 2,396 employees. As I look back at the year that we completed, we continue to make disproportionate investments in capabilities as well as sales and marketing.

I continue to believe that the use of generative AI is going to change in a significant way how training gets done. We started investing in generative AI about more than a year ago and I have seen the pace of change in terms of conversations, in terms of seriousness, in terms of desire to implement change remarkably as we have been through the year. We believe that generative AI is going to be a significant part of our offer set as well as will be a significant part as we look at adding as well as servicing existing customers.

We are making rapid progress in leveraging generative AI across multiple aspects of our work. We have done a number of pilots with a number of our customers and over the next couple of quarters we expect to roll out enterprise-scale solutions that will help our customers take full advantage of generative AI.

We continue to invest in decarbonization. We see that as a great opportunity, and we expect to become a leader from a training perspective in the decarbonization space. I would like to reiterate that the rapid transformation in the industries we serve owing to digital transformation, decarbonization, acceleration in biopharma and AI presents and continues to present a very large opportunity for NLSL. As the workforces transform, training will become key to enabling that transformation and I think we are very well positioned to take advantage of that opportunity.

In addition to our organic opportunities, we have a strong pipeline of inorganic opportunities that we are pursuing and given the strength of our balance sheet, we expect inorganic opportunities to play a significant role in our growth trajectory as we look ahead. We expect that as we look ahead into the year FY '25, we expect our growth to be in the 12% to 14% range. We expect the EBITDA margin to be range bound between 22% and 24% and we expect that our growth will accelerate in the second half of the coming year.

We continue to believe that our business is fundamentally built around a 20% growth and a greater than 20% margin and you should continue to see us as a 2020 business as we have discussed in the past.

With that, I wanted to give it back to Vijay for any other prepared comments.

**Vijay Thadani:**

Well, I had only one which you are perhaps aware of if you have seen the results and that is that we had given an interim dividend during October of INR2.50 paisa per share and the board has finally recommended a final dividend which is in addition to the INR2.50 paisa of INR2.75 paisa as the final dividend for the year. So, the overall dividend paid for this year will add up to INR5.25 paisa. However, that has to be looked at in a perspective of INR2.50 paisa was actually as we had also mentioned before was in lieu of the dividend which we missed because we were



in the demerger period. And this is in line with the consistent dividend payment policy that the company follows, and we look forward to better and more exciting times going forward. So, with this, I will open this for questions.

**Moderator:** Thank you very much. The first question is from the line of Siddhant Dand from Goodwill Investments. Please go ahead.

**Siddhant Dand:** So, my first question was on the growth. So, for four consecutive quarters, our revenue visibility number that we share has fallen, including the notice time last year it was higher. So, what makes you think that 12% to 14% growth will be possible this year, organic?

**Sapnesh Lalla:** Thanks for the question. You are right from a factual perspective that our visibility has fallen. I would say that there is a long-term correlation between visibility and revenue growth. There are times when visibility becomes lumpy from a short-term perspective. That having been said, in terms of reasoning why visibility may have fallen, to some extent it is because the spends have been compressed. But on the other hand, to explain our expectation of growth, two things.

One, like I mentioned earlier, the growth that we have seen in the past few quarters has been on the back of improved wallet share with our existing customers, as well as acquisition of new customers, some that we have acquired over the last couple of quarters will ramp up, as well as a very healthy pipeline of new customers that we are looking at acquiring. In addition to that, we are rolling out new capabilities in the areas of generative AI, as well as transferable skills, which gives us an opportunity to do more with our existing customers. Those are a few dimensions that make us feel good about being able to achieve the growth that we are targeting.

It is a tough environment. We continue to see headwinds, but we also feel that we have a great opportunity.

**Siddhant Dand:** So on the customer addition also or it has been falling quarter-on-quarter, 4-4-2-1. So what is your expectation of adding customers per year over the next few 2-3 years per year? How many customers do you plan to target as an addition?

**Sapnesh Lalla:** We expect the run rate to be in 12 to 16 new customers.

**Siddhant Dand:** Okay. And on a similar line, we have a 400 to 500 million target by FY '27, correct? That we mentioned?

**Sapnesh Lalla:** That's correct.

**Siddhant Dand:** So this includes inorganic, and you think you have enough inorganic opportunities to ensure that this goes through? Are you confident on that?

**Sapnesh Lalla:** Like I have said in the past, A, we have a good pipeline and B, we expect to do one acquisition each year in the 20 to 40 million range. We expect to acquire companies who have a growth trajectory. We expect that part of the growth is going to come from organic.



And while you're right, the last year, we've seen about 14% or 10% constant currency growth, and we are expecting 12 to 14 this coming year. Like I reiterated, we believe that from a long-term perspective, we are a 20% growth business and with a healthy balance sheet, which will enable us to acquire a new target each year. And between the two, we expect that we will be able to get the growth required to get to 400 to 500 million.

**Siddhant Dand:**

Okay. Lastly, my question was, the outsourcing market, what percentage of the market is outsourced right now? And by 2030 or 2035, what percentage of the learning and development market do you see being outsourced? Just with your experience?

**Sapnesh Lalla:**

Yes, at this point, there aren't strong reports available that would give you this data. But based on our analysis, we believe that less than 10% of the market is outsourced. Fewer than 25% of Fortune 1000 companies have significantly outsourced their learning and development. So, the largest competitor continues to be the internal learning organization.

Now, the reason why we feel good about this opportunity is because the learning organization will be pushed to improve the way they do training, and they'll have an opportunity to play or get a seat at the table. From a strategy perspective, given the rate of change that is needed for talent in any large enterprise to face the uncertainties that their businesses are facing, as well as the transformations that are going through in key major industries.

If you look at oil and gas or energy, they're going through a massive renewable transformation. If you look at IT, there is a change in how Telecom is done and how Digital is done. If you look at BFSI, again, massive digital transformation, if you look at Pharma, massive changes, massive structural changes in terms of moving towards Biopharma and so on and so forth.

Now, what all of that means is that the talent pool that an organization or an enterprise as had up to now, will not be the talent pool that will enable them to be the enterprise of the future. And I think that's where the L&D organization has an opportunity. And I think that's where a partnership between the L&D organization and an IT will help the organization address the talent needs of the organization.

So long answer, but I think given the transformations that most key industrial segments are going through, talent is going to be at the center and L&D will have a seat at the table, we'll have to play a major role. And with an NIIT's help, we can help enterprises make that transition successfully.

**Sapnesh Lalla:**

Awesome, awesome. Thank you.

**Moderator:**

Thank you. The next question is from the line of Vimal Jamnadas Gohil from Alchemy Capital Management Pvt Ltd. Please go ahead.

**Vimal Jamnadas Gohil:**

Yes. Thank you so much for the opportunity, sir. Just one clarification from the previous question on the growth outlook of 12% to 14%, this 12% to 14% guidance takes into consideration all the three aspects, right? First is the existing wallet share gains from existing



customers, and as well as contracts which are getting ramped up from the new customers, as well as some lower visibility of the order book that you've given.

All three is taken into account. Are we missing anything else? And your order book is expected to sort of improve going forward. So this 12% to 14% encompasses all of this.

**Sanjay Mal:** That's correct.

**Vimal Jamnadas Gohil:** Okay, fair enough. And sir, the second question would be, what are the various puts and takes on margins? When you talk about 20% to 24% EBITDA, if you can take us through what are the headwinds and the tailwinds, major ones that you see for F'25?

**Sapnesh Lalla:** I think on one side, we have opportunities to improve our cost basis by applying generative AI to how we work. We have opportunities to optimize the labor cost. We have opportunities to improve utilization. So, we have a number of opportunities to improve our cost basis. Those are some of the opportunities we've been working on, and we will continue to work on those opportunities.

We also have, like I pointed out, a number of investments so that we can get ahead in a market that is continuously facing headwinds. These include investments in capabilities. I talked about investment in capabilities to build out generative AI, and a number of other capabilities. We also are disproportionately -- continuing to disproportionately invest in sales and marketing to accelerate customer acquisition, as well as improving market share by investing in consulting, as well as engagement management.

So a number of areas of investment. But as we look at investments, we expect these investments to create a return as well. And from an overall perspective, a balance of the opportunities to improve efficiencies, as well as the investments, this balancing is what we think will get us to 22% to 24%.

**Vimal Jamnadas Gohil:** Understood. Sir, a couple of bookkeeping ones. Firstly, how should we understand the increase in the interest expenses, comparing F'23 and F'24? And secondly, in the balance sheet this year, if you can just help me break up the other financial assets which have gone up from INR265 crores to INR435 crores?

**Sapnesh Lalla:** I'll request our CFO, Sanjay to respond to your question.

**Sanjay Mal:** So the interest expense, essentially, which you're talking about is largely related to the acquisition-related interest, which is there. And then there is a loan-related also, which is there related to the acquisition itself.

**Vijay Thadani:** So just maybe give a flavor of that.

**Sanjay Mal:** So there are notional charges which are there on the fair value adjustment, which basically go into the interest portion.

**Vijay Thadani:** One is a cash expense, and one is a notional, right?



- Sanjay Mal:** There is a notional expense relating to fair value adjustment, which goes into it, which is 199 million for the year and interest.
- Vimal Jamnadas Gohil:** And the interest expense has come along with the acquisition, is it?
- Sanjay Mal:** Sorry?
- Vimal Jamnadas Gohil:** And the interest expense has come along with -- acquisition, is it or something else?
- Sanjay Mal:** There are two parts to it. One part is relating to the interest expense, which is on the external listing. And then there is a relation to the St. Charles acquisition, you have an accounting of fair value adjustment where you have a future acquisition liability and there's a discounting charge relating to that, which basically gets accounted in the finance cost.
- Vimal Jamnadas Gohil:** Understood. And sir, the other financial assets of 265 to 435, what are these regarding? Are these also acquisition-related? No, so these would not be. But yes, if you can just help me understand other financials?
- Sanjay Mal:** We are into the business. Part of the business is relating to strategic sourcing, where we actually get certain funds from the customer for the vendor spending. So, there is an asset and then there is a liability related to that. So, you will find that in both cases.
- Vimal Jamnadas Gohil:** So, the other entry would be the other finance. Okay. Anyway, sir, I'll take this offline, I guess.
- Sanjay Mal:** There is a corresponding entry with liability also. That's what I'm saying. It is on the asset side as well as on the liability side.
- Vimal Jamnadas Gohil:** Fair enough, sir. Thank you so much. All the best.
- Moderator:** Thank you. The next question is from the line of Pranay Roop Chatterjee from Burman Capital. Please go ahead.
- Pranay Roop Chatterjee:** Yes. I have only one quick question. So obviously, the trajectory of the business from a growth perspective, keeping aside signing new clients, keeping aside increasing wallet share is largely linked to the overall baseline of spending on learning and development, which is obviously right now under stress, right?
- The question pertains to as an investor sitting in India, and obviously, most of your revenue is coming from US and other markets. Is it possible to track either actionable data or the sentiment or proxy to the spend number which an investor or some number that you guys are trying to figure out? Because you have the spending numbers of your clients, but you would like to know what other companies or not your clients are doing.
- What is happening at the industry level, whether you're able to keep pace with the industry? So is it possible to track it in any way?





- Sapnesh Lalla:** I would say that from an analysis or analyst perspective this industry is not the most widely analyzed industry as yet given the penetration is only about 10%. We do have a reasonable understanding of what our customers do. We also have reasonable understanding of what customers in our industry segments do, but there aren't published reports that will help you with this data. There is some data, but not a lot.
- Vijay Thadani:** No, but I'm saying whatever data we have access to because it's a segmented industry, but yet there are groups which publish data.
- Sapnesh Lalla:** Yes training outsourcing.com is one site that can help you. Josh Burson is another site that can help you, Josh Burson Associates.
- Pranay Roop Chatterjee:** Got it. And one last question. Again, linked to the tracking aspect obviously I went to trading and sourcing and I saw there's a huge list of companies who are at various subcategories of learning and development with NIIT covering a few of them. So is there a comparable company which you benchmark to probably the largest company globally in the organized space in L&T or any company that Indian investors can keep a track to get a sense of how the industry is progressing?
- Sapnesh Lalla:** Sure. I'll make you aware of some of our competitors. Among our largest competitors include Accenture, IBM, Learning Technology Group based out of UK, Seagos and a few others, but those would be the large competitors we have.
- Pranay Roop Chatterjee:** Just one more specific thing. So obviously, Accenture, IBM, these guys L&T would be a small part of their business. Any pure play guy such as an NIIT that you would be aware of?
- Sapnesh Lalla:** Learning Technology Group that I mentioned they acquired general physics who is quite like us.
- Pranay Roop Chatterjee:** Got it. Thanks a lot and have a good day.
- Moderator:** Thank you. The next question is from the line of Ganesh Shetty, an individual investor. Please go ahead.
- Ganesh Shetty:** Yes. Thank you for the opportunity and question number one is regarding our tax rate which is 28% this year. So will it remain at this elevated rate, or it can come down to the normal level of 26%?
- R. S. Pawar:** So the typical maximum marginal rate is about 27% plus essentially. This quarter, it has been higher. For the overall year, it is about 28.2% which also constitutes certain elements of intercompany transfer where there is a withholding tax. So this includes that and that's why it is marginally higher than the marginal maximum rate.
- Ganesh Shetty:** Yes. Thank you for the clarification. So my second question is regarding the general outsourcing trend, what we're experiencing in the outsourcing market like now we're experiencing a lot of headwinds regarding discretionary spending in learning solutions which is pressurizing our growth as well as which can keep our margins under pressure.



But I just want to ask whether there is any paradigm change in the mindset of our clients or prospective clients from discretionary spend to the need like training outsourcing will be a need for their organization for the growth as well as for the skill sets.

So is there any change, paradigm change in the mindset of the people that they need to outsource the training activities so that they can keep themselves higher at the higher end of the market? So can you please explain regarding this phenomenon whether we are experiencing such things in the market?

**Sapnesh Lalla:**

So like I've said earlier we continue to see a lot of uncertainty and typically a few quarters of uncertainty results into a higher propensity to outsource. We have not seen a higher propensity to outsource yet. And we know that there is a phase lag between uncertainty and a higher propensity to outsource. So we do expect an uptick in the propensity to outsource. We think that it should happen over the next few quarters, but there is no well-established guideline that says that it should take three quarters or four.

**Ganesh Shetty:**

Okay, sir. That's all from me. Thank you and all the best.

**Moderator:**

Thank you. The next question is from the line of Sarang Sanil from RW Investment Advisors. Please go ahead.

**Sarang Sanil:**

Hello. Hi. Good afternoon, sir. Thank you for the opportunity. My first question is the growth guidance that you've given 12% to 14% for next year. Is this in constant currency or INR terms?

**Vijay Thadani:**

Constant currency.

**Sarang Sanil:**

Sure, sir. Okay. And the second question, would these interest costs and D&A expense run rate continue and could you give us more clarity on the notional charges relating to the fair value. Would there be further revision to it or would this run rate continue?

**Vijay Thadani:**

So you have two questions. You're saying one is interest cost.

**Sanjay Mal:**

One is interest cost, and one is notional cost. Will they increase or decrease?

**Vijay Thadani:**

Yes. So the interest cost is basically on a decreasing trend as far as the current outstanding or external loans are concerned. It will be reducing. On the notional accounting charge also it is a step-down function based on the future acquisition liability which is related to the earn-out consideration which every year is basically firmed up, determined, and paid off.

Once it is paid off the discounting charge for the balance fair value of the future acquisition liability essentially is reset for the next year.

**Sanjay Mal:**

I think you've just explained in little more terms. So if the future acquisition liability is 100, we have already paid 60 and 40 are payable on performance over the next 4 years. So as per accounting books you have to account for a discounted value of 40 in your current books. The difference between that and the main value is the interest. The discounting value is the interest, and that interest gets booked in the P&L as a notional interest.



- Sarang Sanil:** And this is determined once a year, isn't it?
- Management:** Yes. Typically it is determined when there is a determination of the earn out and after that basically it is amortized based on the discounted value which will be different for each period.
- Vijay Thadani:** No. What he is saying is every year it will come as one entry. Every quarter it will come as one entry.
- Management:** Every quarter, it comes as a discounted value because it's a charge for a period. However, that charge, based on the duration will keep changing. The balance duration will keep changing every quarter. It will be decreasing and then it is in the range basically because of the future acquisition liability.
- Sarang Sanil:** So this is determined in Q4 or Q1 and then expensed over the years?
- Management:** Yes. The charge is taken every quarter thereafter.
- Sarang Sanil:** Sure. And the D&A expense, will the run rate continue?
- Sapnesh Lalla:** Reset every Q4 and then expense to every quarter Q3, Q4.
- Sarang Sanil:** Got it. So the depreciation expense will continue at the same run rate?
- Sanjay Mal:** Depreciation expense, I mean, it will marginally increase as we go ahead with more capex, but otherwise it is in this range.
- Sarang Sanil:** Sure. Thank you so much and all the best for this year.
- Moderator:** Thank you. The next question is from the line of Kunal Tokal from Fair Value Capital. Please go ahead.
- Kunal Tokal:** Okay. Thank you. Thank you for taking my question. I just want to know which industries or sectors have the greatest share of your business and how does it compare with your peers? Basically, I just want to understand whether all of the companies operating in the space compete for the same customers or if there are some differentiating factors among the competitors. Thank you.
- Sapnesh Lalla:** Technology and telecom is the largest segment that we serve. Are they the largest segment for others is hard to tell, I think probably not. But it is hard to tell because some of our customers do not declare their numbers from -- like Accenture and IBM do not line itemize their learning business.
- Kunal Tokal:** But you can get a sense of that from which sectors outsource L&D the most, right? So, is tech and telecom the one that outsources L&D the most?
- Sapnesh Lalla:** They are the largest segment that works with us. But like I pointed out, we don't see a number of other competitors that I mentioned in the technology and telecom sector.



**Kunal Tokal:** Okay. And is it expected to remain the largest in the future as well where most of the opportunity will reside? Or are you seeing some other sectors that are looking very exciting?

**Sapnesh Lalla:** It is going to stay as a large segment. But there are other sectors that look very promising. We have significant interest from professional services and management consulting firms. We have significant interest in BFSI, life sciences, as well as energy. And the aviation sector is an upcoming sector for us.

**Kunal Tokal:** Understood, sir. And just the last question. If you can take us through from the moment the client signs you to what happens after that, how do you approach it? And what do you actually do? And what is the scope of work that you undertake in the L&D journey of your client?

**Sapnesh Lalla:** Can you say the question again? I couldn't quite understand.

**Kunal Tokal:** After you sign a client, what happens thereafter? What is your scope of work that you undertake?

**Sapnesh Lalla:** That's a good question. We define our scope of work with each customer across a number of different practices that we have. Several times a customer might choose to work only with one practice. And there are times when customers sign up for multiple practices.

Once we have signed up a customer, there's typically a transition phase where the customer ends up diminishing their capacity on what they are outsourcing to us. And then we ramp up our capacity, as well as we tune our systems so that we can deliver what a customer is looking for.

Either during transition or a couple of quarters after that, we also do a transformation phase. Sometimes we follow transform first and transition next, which is when we start with consulting, then look at transformation and then do a transition. There are other times when customers have urgency to do a transition first, in which case we do a lift and shift. And then after the transition stabilizes, we look at transformations.

And then once the transformation is done, we run the process as a BAU process. But every quarter, we look at a number of improvement initiatives that we work with our customers, we charter those initiatives, and we execute on them. But that's the typical lifestyle.

**Kunal Tokal:** Okay, sir understood.

**Sapnesh Lalla:** Does that make sense?

**Kunal Tokal:** I mean, yes, there are some terms, but yes, it could help. Thank you, sir. That's it.

**Sapnesh Lalla:** Thank you.

**Moderator:** Thank you. The next question is from the line of Nemish Shah from Emkay Investment Managers Limited. Please go ahead.

**Nemish Shah:** Yes, thanks for this opportunity. So I had a question on life sciences and healthcare. So for the last two quarters now, we are seeing quite robust growth in that segment. So anything you want



to call out for, like, is that a sector-specific thing where the consumption has increased, or we are winning incremental market share or some comments on the segment?

**Sapnesh Lalla:** That's a very good question. Life sciences is a segment that has been known to be highly decentralized from a learning and development perspective. Though over the last year and as we look ahead, we are seeing a number of large life sciences companies, especially in the pharma space, looking at centralization. And that's typically the step before they look at outsourcing. So that's a trend that we see in life sciences where they're looking at centralization of L&D operations and as they centralize opportunities for outsourcing show up, for some of our customers, we also help them pursue the strategy on centralization.

**Nemish Shah:** Right. And typically, so from what I understand, generally companies spend about 1% of their revenues on L&D. So any ballpark estimate like how much will that be for life sciences and healthcare and what will be like some addressable market size in this segment, if you can share?

**Sapnesh Lalla:** So on an average, an organization spends about \$1,100 per employee on training and that might reconcile with the average 1% that you mentioned. In life sciences, given the regulatory nature and the rapidly changing nature of discovery, as well as new drug launches, the average training per employee tends to be higher because you have on one dimension, you have new drugs coming out. On the other dimension, you have a high -- a lot of regulatory training that needs to be done both on the manufacturing side, as well as on the commercial side. So their spend per person tends to be higher, approximately \$1,600. There is also significant technical complexity in life sciences-related training. So it tends to be -- the expense tends to be higher than average.

**Nemish Shah:** Understood. This was very helpful. Thank you and all the best.

**Sapnesh Lalla:** Thank you.

**Moderator:** Thank you. The next question is on the line of Laxmi Narayanan from Tunga Investments. Please go ahead.

**Laxmi Narayanan:** Thank you. A couple of questions. What percentage of your business of FY '24 was repeat business?

**Management:** Repeat business.

**Sapnesh Lalla:** So the way we look at repeat business is we look at business from existing customers. Typically, we do about 92% to 95% of our business from existing customers.

**Laxmi Narayanan:** Okay. And what kind of revenue mix you have from the learning programs which are on the revenue side of the business, as well as what is in the cost side of the business? And if a revenue side, where you actually directly enhance the revenue of your end customers or it's an enabling tool that actually would help in amplifying the sales of the customer, like a sales effectiveness program kind of things. So what's the mix between these revenues in general and how it has trended in the last five years?



**Sapnesh Lalla:**

So a very small percentage of our business is, let's see, give me a second to think about it. I would say about 15% to 20% of our business, about 20% of our business would affect revenue of our customers. And the balance is predominantly on employee education or extended enterprise.

**Laxmi Narayanan:**

Got it. And again, if it's just the employee part, there is something called the business training, which may happen quite regularly. And there are certain things like the onboarding training, which could be slightly less critical, but it's like a, I mean, I wouldn't say less critical, but something that is like a business as usual. So just want to understand how the company's journey has been in terms of going through these critical training, which are done on a yearly basis as an employee has to upscale on a regular basis.

**Sapnesh Lalla:**

So we look at training in a few dimensions. I'll try to mention the major ones. The first one is what we call functional or proprietary training. Proprietary training is around processes which are unique to an organization. And I say unique versus generic. Generic training would be if you wanted to buy C++ training, for example, buy it off the shelf. However, if you wanted to learn how Shell refines oil in one of their refineries, it is very proprietary. And BP, for example, would not do the same way or ExxonMobil would not do it the same way, even though it's refining. So most of our training for our customers is to address their proprietary training.

And that tends to be about two-thirds of the training that they deliver. We focus on identifying the critical mistakes that an employee might make while doing their job. And our goal is to ensure that with training, they eliminate the mistakes that they might be making and therefore not waste money that might be wasted because they made mistakes.

For example, if you are on an oil rig and you made a mistake and you caused a fire on the oil rig, the cost of that mistake might be very significant. And the reason why an oil and gas company would spend a lot of money on training their offshore personnel would be to ensure that they don't make those mistakes. There are similar use cases to avoid mistakes.

The second large part of our training is on the regulatory side. A number of our customers operate in a highly regulated landscape. For example, oil and gas is a highly regulated industry. BFSI is a highly regulated industry. Life Sciences is as well. And regulations continuously change, as well as a lot of regulatory training has a lifespan depending on what it is.

For example, working at heights, once you get certified, that certification might be valid only for a period of three years. So, you have to recertify yourself. So, that's the second large dimension of training that we do. There are other dimensions of training that we address which focus on technologies. And as technologies change, technology companies and customers might need a refresh of training. So, a bunch of different dimensions of training that we address. But one thing that I want to leave you with is, almost 100% of training that we do is proprietary in nature and cannot be bought off the shelf.

**Laxmi Narayanan:**

Got it. So, the first one, which is the unique one which you talked about, you mentioned that it's like two-thirds of the training they deliver. Is it from their point of view or you're saying from your revenue point of view, it's like two-thirds?



- Sapnesh Lalla:** From their point of view. If you were to look at the L&D budget of an organization, about two-thirds of it is which is propriety training for specifically customers we address in the markets that we address.
- Laxmi Narayanan:** So, I mean, if I put it together, is it fair to assume that maybe 90% of your training is mandatory and 10% is discretionary or how do you look at it? Because some of the things you've talked about...
- Sapnesh Lalla:** Okay. I assume about 60% -- 40% of the training that we do in the highly regulated sectors tends to be mandatory in nature. And the rest tends to be discretionary.
- Laxmi Narayanan:** And is this a number which you track, and you want to make it more mandatory? How it has trended in the last several years and how do you... Is it something like a KRA which you take?
- Sapnesh Lalla:** It's not for me to make training mandatory or otherwise for our customers. Sometimes it's the government who does it, sometimes regulatory bodies do it, sometimes associations that they are linked to do it, but it's certainly not me.
- Laxmi Narayanan:** No, I'm asking a slightly different.
- Sapnesh Lalla:** For example, if you go through anti-bribery or anti-money laundering training, it's not because I mandated it.
- Laxmi Narayanan:** Yes, no, my question is slightly different. Is it there...
- Sapnesh Lalla:** I ask Vijay kindly if you share some thought?
- Vijay Thadani:** Yes, so that's a good clarification. When we pursue industry segments, we try to pursue industry segments that have a high component of regulatory training or a high component of training that is continuously changing, because that creates innovative business for us. Was that what you were saying?
- Laxmi Narayanan:** Yes, I think that's what I was saying.
- Sapnesh Lalla:** There are sectors that we focus on. So, for example, Energy or Life Sciences or BFSI tend to be sectors or Aviation. These are sectors where regulatory training tends to be quite high and therefore, we have a higher chance of getting innovative business in spite of training being discretionary.
- Laxmi Narayanan:** Got it. And one last thing from a capital expenditure point of view, you estimate a similar run rate of INR45 crores to INR50 crores per year.
- Sapnesh Lalla:** Approximately, though we are investing quite significantly in building out capability on generative AI.
- Laxmi Narayanan:** Got it. Thank you so much. Very helpful.



- Sapnesh Lalla:** Thank you. Michelle, I think we have time only for one more question.
- Vijay Thadani:** There are two in the queue. You can take one each.
- Moderator:** Okay. Thank you. The next question is from the line of Ashish Agarwal, an individual investor. Please go ahead.
- Ashish Agarwal:** Yes, so my question is regarding them, see the trainers that you have is around 25% are your permanent staff and around 75% is on need basis. You either have it on contract or it's a higher basis from outside. How do you now your trainings are proprietary as well as the generic kind of a training. Now the same kind of a trainer would be posted by our competitor. So how do you make sure that you have the stickiness of that trainer to safeguard our business?
- Sapnesh Lalla:** So first thing, most or more than 95% of our training is proprietary in nature. So in most situations, our competitors are not using the same trainer, because they don't have the same job. That having been said, our trainers who work for us on a part-time basis also work as consultants in the same market segment.
- And we have, I mean, the way, the reason why our trainers stay with us tends to be because we treat them like family. We make sure that they are comfortable. We make sure that we pay them reasonably and we make sure that we utilize their skills optimally.
- Ashish Agarwal:** Okay. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, this will be the last question for today, which is from the line of Pooja Doshi, an individual investor. Please go ahead.
- Pooja Doshi:** Yes. Thanks for taking my question, sir. So you spoke about, we have plans of doing one acquisition for a year and given we have INR500 crores to INR550 odd crores of cash and dividend payout of 30% to 35%, just wanted to know if we have any acquisition on the advanced stages of discussion and it will be in which area, if you can just talk a little bit about that.
- And secondly, we were going to update about the firm use of policy. You spoke about it in the last quarter. So just wanted to know if any developments in those two areas. That's it. Thank you.
- Sapnesh Lalla:** So we have a pipeline of inorganic opportunities. And as soon as one materializes, we will let you know. In terms of what we look for, adding capability through inorganic opportunities. We look for adding market segments as well as potentially adding access to geographical markets.
- Sanjay Mal:** The second question was ESOP policy. Is there more clarity on what to give. Vijay, do you want to answer that question, ESOP?
- Vijay Thadani:** Yes. So we have a documented ESOP policy. It just went through a postal ballot and has been adopted by the board. And at this point of time, the ESOPs, the shares which will get exercised, are being put up for listing in the stock exchange. And after that, the ESOPs will be issued. The NLSL employees as a part of the demerger already got for whatever -- whoever had options





earlier, NIIT options, they also got the NLSL options of the same number of shares from NLSL as well. So those options are in the process of getting vested and exercised. So that's an overall. Overall, the company's policy has been at any point of time, the overall pool size is 10%. But in this case, since part of the options were already given, this time, the new policy has a pool of 5%.

**Pooja Doshi:** Sure. All right. Thank you. That's all for my side.

**Vijay Thadani:** All right.

**Moderator:** Thank you. Sir, can we take one more question, which is from the line of Deepak from Sundaram Mutual Fund. Please go ahead.

**Deepak:** Yes. Thanks for letting me ask one question. Sir, my question is, if I look at your sector bifurcation, especially in the technology and telecom space, now this is the fourth quarter that we are seeing a Y-o-Y decline in revenues. And our revenue visibility number is also coming down. So given the fact that one of our major sector is not doing well, and revenue visibility is coming down, what gives us confidence of that 12%, constant currency growth for the next year?

**Sapnesh Lalla:** You are right. Technology and telecom firms have seen softness. But those are also the organizations that are the most innovative organizations and have the capability of bouncing back. They're also the most agile. That having been said, we have a strong pipeline, and we have significant programs to add capability so that we can improve a wallet share with our existing customers. Those are really the areas that give us.

**Vijay Thadani:** You may want to add that we added 11 new customers.

**Sapnesh Lalla:** Right.

**Vijay Thadani:** Which are not yet firing on all cylinders.

**Sapnesh Lalla:** They will ramp up over the next couple of quarters and provide opportunity for growth.

**Deepak:** Then, sir, in that case, will our revenue per MTS client, which has been fairly consistent since last four quarters, is that expected to go up as the wallet share goes up?

**Sapnesh Lalla:** See, we are adding on two dimensions. One, we are constantly adding new customers. And as we add new customers, we have customers who are ramping up and they ramp up, it takes them about three to four quarters to reach optimal level. So it will be hard for you to do straight math and determine whether our revenue per customer is going up or not, because on one side, we are adding customers who are in the process of ramping up, as well as we are increasing wallet share with our existing customers.

I think what you or what at least we can see is our revenue per customer, per existing customer, we expect it to grow because of wallet share increase. However, you might not be able to see it in the data that we publish.



**Deepak:**

Thanks for the clarification.

**Moderator:**

Thank you. As that was the last question for today, I would now like to hand the conference over to Mr. Vijay Thadani for closing comments. Over to you, sir.

**Vijay Thadani:**

Thank you. Once again, thank you everyone for spending the time with us. And I think very good questions we heard. And as usual, I would again mention that your questions definitely make us think once again about our strategy and help them with clarifications. So thank you very much for participating in our strategy formulation process as well.

Your time is very valuable and the fact that you spent that with us, we truly appreciate. Any questions which remain unanswered, or you have follow-up questions, Kapil Saurabh is the contact person, and he will make sure that whichever one out of us in the leadership team has to be available, he'll make himself, make themselves available.

With that, I would just like to wish you the best for the weekend ahead of us. We still have, we are in the middle of the week. Sorry, normally we have this all at the end of the week. So wishing you the best and thank you very much once again.

**Moderator:**

Thank you, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of NIIT Learning Systems Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.